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THE

# QUESTION

CONCERNING THE

# DEPRECIATION

OF OUR

# Currency

## STATED AND EXAMINED.

By W. HUSKISSON, Esq. M.P.

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"It is the interest of every country that the Standard of its Money, once settled, should be inviolably and immutably kept to perpetuity. For whenever that is altered, upon what pretence soever, the Publick will lose by it.

"Men, in their bargains, contract, not for denominations or sounds, but for the intrinsick value." LOCKE *on Money.*

NEW EDITION.

LONDON:

JOHN MURRAY, ALBEMARLE STREET.

1819.

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# PREFACE.

From the circumstance of my having been a member of the Bullion Committee, and from its being known to several of my friends that I had taken a part in the discussion which preceded the Report, I have been pressed, by more than one of them, for some explanation of my opinions respecting the state of our currency and circulation, and of the grounds on which those opinions are founded.—Gratified to find their attention awakened to all the importance of the subject, and with my own feelings fully alive to it, I committed to paper the substance of my opinions, in part before, and the remainder very soon after, the publication of the Report.

Proportionate to the general interest excited by that Report, has been the clamour raised against it. That clamour, and the strange doctrines which are set up in opposition to the principles and conclusions of the Committee, have induced some of those who had originally read what I had written with the partiality of

friends, to express a wish that I would publish it.

If this wish had not been fortified by other considerations, I should not, by yielding to it, have exposed myself to the imputation of that vanity, to which such indiscreet compliance is generally, and perhaps often justly ascribed. But when so many pens are employed to propagate what appear to me most false and dangerous theories upon the subject of our currency; when several of those who have taken upon themselves to controvert the Report, have gone out of their way to misrepresent the conduct, and to cast obloquy on the characters and motives of those who concurred in it; and above all, when the many evil consequences of an erroneous, or even an unsettled state of the publick mind upon a question of such vast importance, are considered; I trust that I shall be justified in submitting, what was originally prepared for an indulgent and limited circle only, to the examination and judgement of a more extended and impartial tribunal.

With deference then I venture to offer to the publick an exposition of the course of reasoning which led my mind to the conclusion which I have formed upon a question in which the publick has so deep an interest.

Any man, I think, who has read the pamphlet of Sir JOHN SINCLAIR, or the speech of Mr. RANDLE JACKSON to the Proprietors of Bank Stock, (as reported in the newspapers,) must admit that I have not unfairly described the attacks which have been made upon the Report of the Bullion Committee.

Both these productions appeared long after the following observations were written. To enter into any examination of their contents is not compatible with the object and limits of these introductory remarks; nor indeed, if it were, should I be tempted to such an examination, notwithstanding the circular invitation with which the Right Honourable Baronet is said to have accompanied the distribution of his pamphlet.

When among other theories equally extraordinary,—(whimsically dignified with the name of *axioms* in the work itself)—this author, before he is well clear of his preface, lays it down as a leading principle, "that the abundance of circulation is the great source of opulence and strength;" and emphatically styles it "*the mine of national prosperity;*"—when he defines *Money* to be "a well regulated paper currency with a certain proportion of coin"—I should be at a loss how to deal with such

*axioms.* They appear to belong to that class of propositions which have been sometimes characterized by rhetoricians as being "neither true nor false;" and as they are (to me at least) wholly unintelligible, they must of course be unanswerable.

There is, however, one charge against the Committee, much dwelt upon both in the speech and in the pamphlet to which I have referred, with which I must detain my readers for a few moments. It is that of having made a Report directly contrary to, and altogether inconsistent with, the evidence.—This assertion has surprised me: and I have looked in vain for any proofs in support of it.

The Committee endeavoured, in the first instance, to collect and place upon their records certain *facts;* such, for instance, as the continued high price of gold bullion, and the great depression of the foreign exchanges.—To any *explanations,* that were offered by the witnesses, of the causes which had produced this state of things, they listened with the most patient attention: and have given them a place in the Appendix, in the words of the parties examined. But when these explanations appeared to the Committee to be either unfounded or insufficient; to be contradicted by the experience of

former times, or by the actual state of facts; to be inconsistent with each other, or with the admissions of the witnesses themselves; could it be the duty of the Committee to adopt them as their creed? Was it not rather their duty to state, in what respect, in what degree, and in what instances these explanations appeared to them unfounded or insufficient; and to point out the circumstances by which they were contradicted, and the inconsistencies which they involved?

It was indeed for the House of Commons to consider whether they would appoint such a Committee at all, or refer such a subject to such a mode of examination: and if it was foreseen that the promulgation of an opinion, such as that which the Committee have formed, would be attended with publick mischief, (which I however am very far from thinking) it might, in that case, be matter of regret that the House should have consented to its appointment. But, even in that case, nothing can be more unjust than to impute as blame to the members of the Committee, acting under the orders of the House, the due discharge of a duty which the House had thought proper to impose upon them.

In the execution of this duty it became

necessary to ascertain the principles by which the Directors of the Bank of England had been governed in the issues of their paper since the restriction.

This information could not be obtained from them in their corporate capacity: it could only be collected from those who were at the head of the Direction.

This forms by far the most important part of the evidence: because the supply of our circulation being now without controul in the hands of the Directors, it was essential to ascertain by what rules and principles they were guided in the exercise of this extensive discretion. Before this enquiry, these rules and principles were, I believe, unknown to the publick: they were certainly unknown to me. The Committee have stated them in the words of the Governor and Deputy Governor of the Bank; and have assigned reasons for thinking that they do not afford a check constantly and sufficiently operative against an over-issue, and consequent depreciation of Bank paper.—Is this what is called making a Report directly contrary to the evidence?

Mr. JACKSON, indeed, is of opinion that the Committee ought to have surrendered their

judgement altogether to the authority of those witnesses who asserted, that Bank Notes are "*not* depreciated;" and who stated as the grounds of that assertion, that "in *their* ex- "tensive and various transactions, no difference "exists between Bank Notes and coin."—As Mr. JACKSON is, unfortunately, not the only person to whom this inference appears to be conclusive, it may be regretted, as an omission, that the Report of the Committee did not more particularly guard against it. There is perhaps no part of the question which is capable of being settled with greater ease and certainty. The experience of our own, as well as of all other countries, has placed beyond the reach of controversy the proposition, that if *one part* of the *currency* of a country (provided such currency be made either directly or virtually a *legal tender*, according to its *denomination,*) be depreciated, *the whole* of that *currency*, whether paper or coin, must be *equally* depreciated. This proposition, I trust, the reader will find satisfactorily made out in the following pages.

Whilst I am aware that I must despair of convincing persons so entirely at variance with the first principles of political economy, there is another, and I hope a larger class, to whose

understandings the following observations must appear superficial and unnecessary. They certainly contain nothing which is new; or which can be striking or interesting to any readers of that class. A discussion which goes back to the first principles of our money system, and in which, at the risk of a wearying repetition, the same proposition is illustrated in several different modes, must appear superfluous to persons who are already well acquainted with those principles; and whose own ingenuity would supply them with illustrations more apt than any that I have been able to furnish.

But I am convinced, as well from the experience which I derived from the enquiries carried on in the Bullion Committee, as from every thing that has since come under my observation, that a great proportion of the publick, including (even in the limited circle of my own acquaintance) many men of excellent understandings, have either overlooked the elements of the whole question; or, more probably, have never turned their minds to the course of enquiry, which, if properly pursued, must have prevented some of the misconceptions now afloat on this subject. To the want of this knowledge, to the want of time, or

opportunity, or inclination to attain it, much of the error which prevails in some quarters, and of the doubts, uncertainty, and apprehension which exist in many others, is, in my opinion, to be ascribed.

In the present state of the question, surely, no man who takes any interest in publick affairs, more especially if he have any legislative duty to discharge, will hesitate to acquire that knowledge; and to overcome any disinclination that he may feel from the natural dryness, or supposed intricacy of the question. The necessary information is to be easily obtained, by resorting to the history of our currency in former periods, and to those authors, in our own language, who are looked up to as of the highest authority in political economy. To which I may add, that, since the agitation of the question in Parliament, several excellent publications on the subject have made their appearance.

Of most of these publications, however, including even the very able pamphlet of Mr. BLAKE*, I cannot help observing, that they

* "Observations on the Principles which regulate the "Course of Exchange, and on the present depreciated State "of our Currency." By W. BLAKE, Esq. This pamphlet contains the most complete exposition of the whole doctrine of exchange that I have met with in any language.

appear to me, both to suppose a degree of elementary information in their readers, which all do not possess; and to take for granted, on the part of their opponents in the argument, a concession of principles, which have, indeed, been long since established as fundamental truths; but which have been again called in question on the present occasion. To revert, therefore, to first principles, and to endeavour to prove again what has been already so often proved, may, as I presume to think, be a useful, though humble, help in the discussion which now agitates the publick opinion of the country.

They who think with me, that it is by the establishment of sound, and the detection of false principles, upon points of general interest and leading importance in political economy, that the greatest benefits are secured to nations, or the greatest calamities averted from them, will not find fault with the mode in which I have ventured to treat the subject. They will even pardon the repetitions, which I have found unavoidable, when they consider that, in a question of a complicated nature, but admitting (as I conceive) of strict proof, one mode of arriving at the truth is more easily apprehended by some minds, and another by others;

and that, in contentions, where interest and prejudice take a part, it is not enough to establish a proposition; it is also necessary to expose the fallacy of the reasoning by which it is attempted to be controverted.

Having once made up my mind to submit these remarks to the public, I could not think of withholding my name. I am anxious to meet, upon a fair and equal footing, those persons who have publickly attacked the Report of the Committee. I wish to draw from them, either an admission of the *principles* which I state—or a clear and explicit exposition of their own. If they admit the principles stated by me, it is for them to reconcile their own deductions to those principles, so admitted; and to disprove mine. If the difference between us be as to *principles*, let them lay fairly before the publick those, on which their theory is built; and shew the practical consequences, to which their own principles would, in their own opinion, lead.

I may add, that none of the considerations which sometimes disincline men in publick life from this mode of declaring their sentiments, apply in the present instance. The question is already necessarily before the publick. The parliamentary discussion of it is

unavoidably at some distance. It is plain that the opinion of the publick will not remain so long altogether suspended: and besides it is a subject upon which many persons would rather collect their ideas and form their decision in the leisure of the closet, than in the warmth of debate.

I have yet another reason for avowing my opinions as openly and as early as possible. If I know my own mind, those opinions have been formed as coolly and dispassionately, as they could have been upon any point of abstract science: and I should have felt it as impossible to avoid coming to the conclusion to which I have been led upon this subject, as to refuse my assent to the demonstration of any problem in mathematicks. I say this the rather, because I see (and I see with deep regret) an attempt made to create political divisions on this subject: and to array particular parties against principles which, surely, are not to be classed among the articles of any political creed, or to be considered as connected with the separate interests of any party:—principles which, if false, may be disproved by calm argument, without the aid of influence or combination; but which, if true, cannot be refuted by clamour, and could not

be overpowered by numbers or authority, without material hazard to the interests of the country.

So far as I know, and as I believe, this attempt has not hitherto been successful. The speech of Mr. RANDLE JACKSON, though it imputes *party spirit* to others, is obviously dictated by nothing more than a *corporation spirit:* a distinction which, fortunately, is too plain to be misunderstood. As to SIR JOHN SINCLAIR, the only other avowed author of such imputations, it would be most unjust, both to him and to mankind, to suppose him the organ of any other sentiments than his own.

Fatal, indeed, would it be for the country, if those who are to decide upon this question,—(a question which, while it is, on the one hand, so abstract as not to allow to error the apology of passion, yet, on the other hand, affects, in its practical consequences, the interests and the comforts of every class of society,)—could be persuaded to regulate their conduct, upon this occasion, by any feelings of political partiality or hostility. I trust that such feelings will not be allowed to disturb and exasperate this discussion: and, as to myself, I am most anxious to declare and

record my opinions, while these feelings have not yet made any progress; and while the course of party politicks, (if, most unfortunately, party politicks are at any period to mix themselves with the subject,) is yet unascertained.

I am aware that I have already detained the reader too long upon points which are, in some degree, of a personal nature; especially as there is one other, more entirely personal, perhaps, on which I must request his indulgence for a few sentences. In discussions of an amicable nature which have arisen with those for whom these observations were originally intended, I have been asked, (and the question may possibly be repeated in a less amicable manner,) "Why I did not give to the publick an earlier warning on the subject,—why not, while I was myself in office, and before the evil had grown to its present height?"

My answer is, first—that it is one thing to trace effects, the existence of which is manifest, up to the causes which produced them: but that it would have been another, to foresee all the possible consequences of a new measure; especially when those consequences were liable to be produced, or to be varied, by circumstances of which one had no know-

ledge. To the perspicacity, which alone could have qualified me for such foresight I do not pretend; but, nothing more than diligence and impartiality was required to qualify for the task of that enquiry and examination which, where the conclusion is as plain, as to my understanding it appears in the present instance, could not fail to lead to conviction.

I answer secondly, that neither I, nor any man with whom I ever had intercourse, official or private, upon the subject, at any time considered the restriction of Bank payments as any other than an expedient, originating in necessity; and determinable whenever that necessity should cease. Nor could I have imagined, till the examinations before the Committee produced the disclosure, that there existed any individual who viewed it as an improvement in our money system, or who could look with satisfaction to the possibility of its indefinite continuance.

I answer further, that those consequences of this measure which are developed in the Report of the Committee did not arise till a late period. Up to that period, the foreign exchanges were not unfavourable; and the market price of gold not materially above the Mint price:—two circumstances, of

which I felt assured that the Bank Directors never lost sight in regulating their issues. During the suspension of cash payments, a permanent depression of those exchanges, or a rise in the price of gold, appeared to be pointed out to them, by the principles of their institution, and by the course of all former experience, as the obvious and best criterion of any tendency to excess in the amount of their paper. It was therefore natural to conclude, that, in regulating their issues, they constantly and carefully watched these indications of the value of their notes. Persons more conversant, than I could be, with the course of business at the Bank, and whose opinions might naturally be supposed to have great weight with some of the Directors, whilst they urged the importance of this criterion, appeared to entertain the same confidence with myself, that to all practical purposes, it was duly observed*. It was not, till the Committee were furnished with the evidence of the Governor and Deputy Governor of the Bank, that I found that, in regulating the amount of their issues, the Bank had no reference to this criterion.

* See—An Enquiry into the Nature and Effects of the Paper Credit of Great Britain. By Henry Thornton, Esq. M. P.

Before that declaration was made, I own that my opinions upon the whole subject were much more undecided. When the great fall in the foreign exchanges first took place, I ascribed it, without hesitation, and perhaps without much reflection, altogether to the effect of the violent measures, political and commercial, adopted on the Continent; and to the suspension of our commercial intercourse with the United States. When that fall had continued for near a twelvemonth, doubts arose in my mind whether the cause of its long continuance might not be, that the Bank, from too much indulgence to their customers at some particular moment, had somewhat improvidently extended their issues; and too much delayed restoring them to a proper level. But as I still took for granted that they had not lost sight of the criterion above mentioned, my doubts went no further.

Such was the state of my mind at the time when I retired from office. Every month which passed from that time, whilst our exchanges were growing worse, and the price of gold rising, (notwithstanding that our expedition to the Continent was terminated, and our pecuniary aid to Austria discontinued,) could not fail to increase the doubts which I had begun to entertain.

Under these circumstances, and very soon after the opening of the last session, the subject was taken up in Parliament. When the Committee was appointed, I gave to the Enquiry all the attention in my power. The general principles which I carried with me to that Committee were the same which I now profess: but the information which has led me to a more specifick and particular application of them was chiefly derived from what came out in the investigation. When I found that the principle of regulating the issues and ascertaining the value of their paper by a reference to some *fixed standard*, and even the existence of such a *fixed standard* were either altogether overlooked by the Bank, (they could scarcely be unknown to them) or utterly disregarded in their practice,—my astonishment was great indeed. From that moment I was more at a loss to explain to myself why the evil was not greater, than to account for its present extent.

I am not ashamed to add that my individual efforts would not have enabled me to follow in all its practical bearings a subject of such extent and intricacy without a far more regular and careful attention than was compatible with the incessant occupation, and multiplied duties of

such publick situations as it has been my lot to fill:—and this is far from the only instance in which the studies and self-examination of retirement have shewn to me how great in almost every respect (assiduity perhaps excepted) were my own deficiencies in office.

I can, however, conscientiously declare that whatever humble means I may possess of discriminating between truth and error, between degrees of probability and strict proof, between conjecture and certainty; have been recently and anxiously employed in the re-examination of the opinion which I supported in the Committee.

EARTHAM,
*October* 23, 1810.

THE

# QUESTION, &c.

THE various definitions of the word *money*, and the different acceptations in which that word is used in the ordinary transactions of life, have contributed to produce much of the doubt and uncertainty which prevail at this moment respecting the state of our currency.

*Money*, in the popular sense, is frequently considered as having no other value than one purely arbitrary and conventional. It is sometimes defined to be the *representative* of all other commodities; and sometimes the *common measure* of them. These definitions are both incomplete, as applied to *money*; because they are equally applicable to every description of *currency*, whether consisting of the precious metals, of paper, or of any other article.

It is of the essence of *money* to possess *intrinsick value*.

The quality of *representing* commodities does

not necessarily imply intrinsick value; because that quality may be given either by confidence, or by authority. The quality of being *a common measure* does not necessarily imply intrinsick value, any more than the possession of a *foot-rule* implies the power of acquiring whatever it enables us to measure. *Money*, or a given quantity of gold or silver, is not only the *common measure*, and *common representative* of all other commodities; but also the *common and universal equivalent.*

*Paper currency* has, obviously, no intrinsick value.

A *promissory note*, under whatever form, or from whatever source it may issue, *represents* value. It does so, in as much as it is an undertaking to pay, in *money*, the sum for which it is issued.

The *money*, or coin of a country, is so much of its capital. *Paper currency* is no part of the capital of a country—it is so much *circulating credit.*

Whoever buys, gives—whoever sells, receives such a *quantity* of pure gold or silver as is equivalent to the article bought or sold:—or if he gives or receives *paper* instead of *money*, he gives or receives that which is valuable only as it stipulates the payment of a given quantity of

gold or silver. So long as this engagement is punctually fulfilled, paper will of course pass current with the coin with which it is thus constantly interchangeable. Both *money*, therefore, and *paper*, *promissory* of money, are *common measures* and *representatives* of the value of all commodities. But *money* alone is the *universal equivalent; paper currency* is the *representative* of that *money*.

Of *paper currency*, however, there are two sorts; the one resting upon *confidence*, the other upon *authority*.—Paper resting upon *confidence*, is what I have described as *circulating credit*; and consists in engagements for the payment, on demand, of any specifick sums of *money*: which engagements, from a *general trust* in the issuers of such paper, they are enabled to substitute for *money* in the transactions of the community.—Paper resting upon *authority*, is what, in common language, is called *paper money*; and consists in engagements issued and circulated under the sanction, and by the immediate intervention of the publick power of the state.

Paper, such as alone used to be current in Great Britain before the Restriction on the Bank, was strictly *circulating credit*.—The paper current in *Austria*, *Russia*, &c. is properly denominated *paper money*.

The division and subdivision of the precious metals into various shapes and sizes; the proportion of alloy mixed with them in the coins of different countries; the stamp affixed upon such coins, and the names by which they pass current, are things in their nature arbitrary; and subject to such regulations as may be made by the sovereign power of each independent state. By any alteration in these particulars, the *price* of all other commodities, or, in other words, the amount or denomination of money in which their value is stated, may be altered; but these changes cannot affect the relation which the value of the bullion contained in the coin bears to that of such commodities.

*Price*, therefore, is the value of any given article, in the *currency*, by reference to which that article is measured; and must, of course, be varied by any variation in the *quantity* of gold or silver contained in such currency.

Supposing, for instance, the currency of a country to consist of gold, and that, without any variation in the relative proportion of this metal to that of other articles, the *denomination* of the existing coin should be raised, or its *standard* lowered, in any given proportion, the prices of all commodities would rise in the same proportion; although the *real* value of every such com-

modity, measured by a reference to the quantity of gold in such coin, would remain the same.— If, on the other hand, the quantity of gold in such a country (considered for the moment abstractedly from its intercourse with other countries) should be increased in any given proportion, the quantity of other articles and the demand for them remaining the same, the value of any given commodity, measured in the coin of that country, would be increased, or, in other words, the relative value of gold to other commodities would be decreased in the same proportion; although the *denomination* and *standard* of the coin should remain unaltered; and although no addition should have been made to the actual amount of that coin.

It must be almost superfluous to observe that by *denomination* is meant the specifick name under which a piece of metal of a given quantity is known in the state of coin; and that *standard* is the precise *quantity* (ascertained by *weight* and *fineness*) fixed by law for pieces of each denomination. Thus the *standard* fineness of our gold coin is eleven parts of pure gold and one of alloy; and the *denomination* of a piece weighing 5 dwts. $9\frac{1}{11}$ gr. is a guinea.

It follows from this, that the right and duty of coining, which, in every independent state,

is one of the most important attributes and functions of sovereignty, consists in affixing to certain pieces of the precious metals a *stamp*; which becomes to the subjects of that state, and to all the world, a publick voucher, that each piece, according to its denomination, is of the weight and fineness fixed by the law of that state. The publick honour and integrity of the legislature are pledged to the fidelity and exactness of the voucher, which is thus issued in the name of the Sovereign.

There is not therefore, nor can there be, any difference whatever, between any given coin, and an uncoined piece of the same metal of equal weight and fineness, except that the quantity of the former is accurately ascertained and publickly proclaimed to all the world by the stamp which it bears.

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To apply these general observations to the particular money of this country:—

I assume, as admitted, that, in Great Britain, gold is the scale to which all prices are referred, and, since the 39th of the King, the *only* LEGAL TENDER, except for payments under 25*l.*

I likewise assume, as unquestionable, both in fact and in law,

1st, That a pound of gold, of our standard, is coined into 44 guineas and a half; and that any person may, at the King's Mint, procure any quantity of gold to be so coined, free of any expense whatever; the officers of the Mint being obliged to return, in coin, precisely the same quantity which may have been deposited with them, without making any charge for the conversion of it into money.

2dly, That, by law, these guineas which, when fresh from the Mint, weigh 5 dwts. $9\frac{13}{33}$ grs. each, cease to be a *legal tender* if, by wear or otherwise, they are reduced below 5 dwts. 8 grs. which is a diminution in their value of a small fraction more than *one* per cent.

Consequently, the law of England, before the year 1797, distinctly secured to every man, that he should not be compelled to take, in satisfaction of a legal debt, for every guinea of that debt, less than 5 dwts. 8 grs. of gold of standard fineness; and, as distinctly, that he should not be obliged to receive, as the *representative* of a guinea, or a guinea's worth, any article or thing which would not purchase or procure that quantity of gold.

Such was the state of our current coin before the year 1797.

The Bank of England, as every body knows,

is a chartered Company of Merchants whose promissory notes, for more than a century, have constituted a very large proportion of the *circulating credit* of this country. From the institution of that Company up to the year 1797, there had been no interruption to the convertibility of their notes into *money;* nor any interference on the part of the State in any thing that concerned the issue or circulation of those notes.—This Company were simply the Bankers of the State, and, by a condition of their charter, its Agent for the payment of the dividends due to the publick creditor.

In 1797, in consequence of a demand upon the Bank for gold, continued for a time, and in a degree, altogether unusual, and arising from a combination of untoward circumstances and events, partly political, and partly commercial; the Directors of that institution felt themselves bound to state to the Government the unprecedented difficulties and embarrassments of their situation.

It is but justice to them to remark, that they did not resort to this measure, till they had tried, and found unavailing, all those means of checking the drain of cash, which had been effectual on former occasions. On these former occasions the Directors had uniformly found, that

to lessen the amount of their issues of paper, was the sure mode of checking and ultimately stopping the demand for gold. It was natural for them, as practical men, to follow their established course; but when they found that, instead of abating, the drain increased every day, in proportion as they contracted the amount of their paper, it was equally natural for them to mistrust their own experience.

In this state of affairs, the remedy which was applied to the difficulties of the Bank and of the Country, was an act for the temporary suspension of cash payments.

It is material to understand precisely the nature of the change which this act created in the state of our circulation; a change of the magnitude of which no man was more sensible than the persons whose duty it was to propose it to Parliament.

This act did not repeal any of the former regulations to which I have adverted, and which are the foundation of our money system. Neither did it make Bank notes a *legal tender*.—It did not alter in any respect the existing state of the law, either as to the weight or the fineness of the gold coin; or the act of the 39th of the King. It merely suspended other provisions of law (having in themselves no reference to our

circulation, or *money* system) by which, in default of payment, the person and goods of a debtor are made liable for his debt. This liability it suspended, in cases where a *tender* shall have been made to the creditor of the amount of his claim in notes of the Bank of England.

If it had been proposed, at once, to make Bank notes a *legal tender*, and, in direct terms, to enact that every man should, thenceforward, be obliged to receive them as equivalent to the gold coin of the realm, without reference to the quantity of gold bullion which might be procured by a Bank note of any given *denomination;*—such a proposition would have excited universal alarm, and would have forcibly drawn the attention of the legislature and the publick to the real nature of our circulation, and to the possible consequences of such an innovation. But, certainly, nothing of the sort was in the contemplation of any man when the first suspension act was passed.—That it was then considered and proposed, as an expedient which would be but of short duration, the course of the proceedings in Parliament abundantly indicates.

Such being the original character of the measure, it is not extraordinary that, in that crisis, Parliament, without much hesitation, and without any suspicion of the ultimate possible con-

sequences, should have afforded a temporary protection from arrest to a debtor, who should have made a tender of payment in Bank notes. But if, in the year 1797, it had been foreseen that this temporary expedient would be attempted to be converted into a system for an indefinite number of years; and that, under this system, in the year 1810, every creditor, publick or private, subject or alien, to whom the law, as it then stood, and as it now stands, had secured the payment of a pound weight of standard gold for every 46*l.* 14*s.* 6*d.* of his just demand, would be obliged to accept, in full satisfaction, about $10\frac{1}{2}$ ounces, or not more than seventeen shillings in the pound, with a prospect of a still further reduction in every subsequent year:—it is impossible to conceive that the attention and feelings of Parliament would not have been alive to all the individual injustice, and ultimate publick calamities, incident to such a state of things; and that they would not have provided for the termination of the restriction, before it should have wrought so much mischief, and laid the foundation of so much confusion in all the dealings and transactions of the community.

Whether the actual state of things be such as I have just described, is the question upon which the publick attention is now fixed :—and to which, I conceive, there can be but one answer. If the reader shall go along with me in the following statement, that answer will appear to him as obvious as it does to me.

1st. A pound, or twelve ounces of gold, by the law of this country, is divided into 44 guineas and a half, or 46*l.* 14*s.* 6*d.*

2dly. By this division, which is made at the publick expense, and without charge for coinage, nothing is added to the value of the gold; and nothing taken away from it.

3dly. A pound of gold, therefore, and 46*l.* 14*s.* 6*d.* being equivalent, being in fact, the same thing under different names, any *circulating credit* which purports to represent 46*l.* 14*s.* 6*d.* ought, by the law of this country, to be exchangeable at will for a pound of gold.

4thly. No alteration has been made in this state of law except by the Act of 1797.

5thly. The professed and intended operation of the Act of 1797 was not to diminish the *quantity* of gold for which any specifick amount of *circulating credit* ought to be exchangeable, but merely to suspend, for a time, the option of the exchange.

6thly. But the sum of 46*l.* 14*s.* 6*d.* in our present paper, will procure in exchange for gold, only $10\frac{1}{4}$ ounces of that metal:—A pound of gold is now exchangeable for 56*l.* in *paper currency.* Any commodity, therefore, which is equivalent to a pound of gold, is also equivalent to 56*l.* in paper.

It follows that the difference between 56*l.*, and 46*l.* 14*s.* 6*d.* or between 12 and $10\frac{1}{4}$ ounces of gold, arises from the *depreciation* of the paper; and is the measure of that depreciation, as well with respect to gold, the *universal equivalent*, as to every other commodity.

Those who differ from me in opinion must be prepared to deny some one of these facts, from which, if not disproved, the conclusion necessarily follows. They must either shew, that I have mis-stated the *permanent* laws of the realm which regulate our coinage, and determine our *legal tender;* or they must shew, that gold is not the basis of our money—that its value is not measured by its quantity—that the value of that quantity is varied by its conversion into coin. But these are propositions which no man who has ever looked at the subject will attempt to maintain.

Otherwise they must shew that the intention of the *temporary* law of 1797 was different

from that which I have ascribed to it; and that it was intended, by that law, either to lower our standard, to alter our *legal tender*, or to leave us without any standard at all.—But even if they should be able to shew, that the intention of this *temporary law* was to make any one of these alterations, still, by the establishment of their proposition, they will not invalidate but confirm the conclusion which I have stated. They will only have established, by their own arguments, the fact of the depreciation, and will no otherwise have varied the question arising out of it, than by making it appear, that such depreciation of our currency was not the unforeseen consequence, but the premeditated result of an act of the legislature.

Although these appear to be the only imaginable grounds on which any exception can be offered to my statement, they are such as will not be taken by any man who does justice to the character of the legislature, or has any recollection of the circumstances under which it passed the Act of 1797.

It would be monstrous to imagine that it could ever be in the contemplation and intention of either House of Parliament, that Bank notes, at their present, or at any less value, to which they might possibly be reduced, should be a

*legal tender.* To entertain such an opinion would be to impute to Parliament a design to practise a deception, and to encourage a fraud. What would have been the consistency, what the integrity of a legislature, which, leaving unrepealed and unmodified the regulations which take away the character of a *legal tender* from every guinea weighing less than 5 dwts. 8 grs. would give it to a Bank note, purporting to be a security for the same denomination, but the real value of which is, at this moment, 4 dwts. 14 grains, or, in other words, about three shillings less than the lightest guinea which is allowed to pass in payment?

If such be the effect of the Act of 1797;—let us see, by a comparison of that effect with the whole purport and tendency of all the antecedent laws, which regulate and govern our currency, what is the present legal state of that currency; and what the situation of the subjects of this realm, under the whole system as it now stands.

By law, a guinea which weighs less than 5 dwts. 8 grs. is no longer a guinea.—It is deprived of its quality of coin.—It can no longer be tendered as *money*.—But it may be sold for what it will fetch in the market as *bullion*, for the purpose of being melted down.

By law, it is an offence punishable with severe penalties to melt a guinea weighing more than 5 dwts. 8 grs.; or to reduce it, by clipping, filing, or any other process, below that weight.

By law, a guinea of that weight cannot be exchanged for more than the sum of 21*s.* which sum in *paper currency* is worth at present 4 dwts. 14 grs. of gold.—To sell, or to buy guineas at a higher rate than 21*s.* each in Bank paper, is an offence highly punishable.

For this last offence a man has recently been tried and convicted.

If the guineas purchased by him had been light guineas, viz. guineas weighing upon an average 5 dwts. $7\frac{1}{2}$* grs. each, he might have bought and sold them without incurring any penalty.

The state of the law, therefore, is this—The possessor of a *heavy* guinea, which is intrinsically worth about 24*s.* 6*d.* in Bank paper, who should exchange it for more than 21*s.* of that paper, would be liable to fine and imprisonment. —The more fortunate possessor of a *light* guinea is entitled by law to exchange it for what it will fetch, which would be about 24*s.* 3*d.*

* From the evidence of Mr. Merle, page 49 of the Appendix to the Report of the Bullion Committee, it appears that this is the average weight of light guineas.

A *light* guinea, therefore, cried down, no longer current, no longer a *legal tender*, is, at the present moment, more valuable than a guinea of *full weight*, in the proportion of 24*s.* 3*d.* to 21*s.*

The *light* guinea, by melting, is converted into 5 dwts. $7\frac{1}{2}$ grs. of bullion.

The heavy guinea being, by law, incapable of being converted into bullion, or of being reduced, by a diminution of *quantity*, into the more valuable shape of a *light* guinea, is equivalent to 4 dwts. 14 grs. of gold.—The difference of value in favour of the light guinea is $17\frac{1}{2}$ grains of gold.

This is the present state of our currency; and the operation of the laws by which it is regulated.

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Is it possible to conceive that this is the state of things, which the legislature, in passing the Act of 1797, had it in contemplation to produce? Is it one, which, having been produced unintentionally, does not require such an alteration as would bring back the currency of the country to an agreement with its antient legal standard?

For my own part, I confess that, if absolutely driven to the necessity of deciding between the

alternative, of suffering the present state of things to continue, or of resorting at once to the stale and wretched expedient of either raising the denomination, or lowering the standard of our currency, in any fixed and limited proportion, I should not hesitate to prefer the latter. This expedient, I admit, though not unfrequently practised, in former and less enlightened periods of the history of this and other nations, is now universally and justly reprobated and condemned as too disgraceful in its principle, and too ruinous in its policy, to be resorted to, even by governments the most arbitrary in their internal administration, and the most destitute of more substantial resources. Yet, let me ask any of those who would have been startled at such a proposal, what would be the real difference between a state of law, which, either leaving the guinea at its present weight and fineness, should raise its denomination to 24*s.* 6*d.*; or, leaving it at its present denomination, should lower its standard to 4 dwts. 14 grs.—and a state of law, which obliges every man to receive the latter *quantity* of gold as 21*s.*, or to give 24*s.* 6*d.* for the former?

One difference, indeed, would be this: that, the injury once done, the fraud once committed, the extent of the evil would be known and

ascertained. Prices at home, and abroad, once accommodated to the change in the value of our currency, all uncertainty, and consequent speculation upon a farther derangement, would cease. Creditors, annuitants, and all who possess incomes, fixed in their amount by a contract of any description, would be able to measure the extent of their loss. All future leases, and bargains for time, would be made with a reference to this definite alteration in the common measure of all exchangeable commodities. Salaries and wages of every description would be more speedily and more proportionably compensated for the change.—The existing evil, on the contrary, of which the present measure may be reckoned at about 15 per cent., is indefinite, uncertain, and fluctuating, though progressive in its growth. It has consequently a greater tendency to derange and unsettle all the transactions of society, and to depress the labouring classes, and all who derive their incomes from salary or wages of any description. It increases, at the same time, the foreign expenditure of Government, in proportion to the fall of the exchange; and its domestick expenses, in proportion to the increased price of all commodities at home. It adds, in the same proportion, to the amount of our annual loans and

taxes. A saving, it is true, accrues to the State from paying the wages of valour, talent, industry, and labour, in a depreciated currency, and from the reduction which is thus made (really though not nominally) in the value of the dividend paid to the publick creditor. But it is equally true that these unfair and unintended savings to the State are more than counterbalanced by its increased expenditure:— whilst this increased expenditure, and the increased taxation necessarily consequent upon it, doubly aggravate the evil on those classes of the community at whose expense these savings are made, by taking from each a greater proportion of their already depreciated income, for the payment of all the other charges of the State.

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The propositions which I have stated appear to me so clear and conclusive that I am almost ashamed of saying any thing more on this part of the question. But the doubt and confusion which prevail in the minds of many sensible persons, and the sophistry to which they have been induced to listen, from the want of clear and precise ideas on this subject, are quite extraordinary. There are those who reason as if

they had persuaded themselves, and who endeavour to persuade others, that *Bank paper* is the *real* and *fixed measure* of all commodities; and that *gold* is only one of the articles, of which, in common with others, the value is to be ascertained by a reference to this *invariable standard* and *universal equivalent*, Bank paper. So widely extended is the error in this respect, that, however much in contradiction with some of their own principles, it pervades, more or less, nearly the whole of the evidence of the respectable merchants who were examined before the Bullion Committee.—For instance, in the examination of Mr. CHAMBERS, (p. 102,) a gentleman who deservedly enjoys the reputation of great intelligence and extensive information in the commercial world, we find the following evidence.

"At the Mint price of *standard* gold in this country, how much gold does a Bank-of-England note for one pound represent?—*5* dwts. 3 grs."

"At the present market-price of *4l.* 12*s.* per ounce, how much gold do you get for a Bank note of one pound?—4 dwts. 8 grs."

"Do you consider a Bank of England note for one pound, under these present circumstances, as exchangeable in gold for what it represents of that metal?—*I do not conceive gold*

*to be a fairer standard for Bank of England notes than indigo or broad cloth.*"

Question repeated.—"*If it represents twenty shillings of that metal at the coinage-price, it is not.*"

In these answers this leading doctrine is manfully and ingenuously asserted and maintained; and all who stand up for the undepreciated value of Bank paper, however disguised their language, must ultimately come to the same issue.

Mr. CHAMBERS plainly avows, that "*He does not conceive gold to be a fairer standard for Bank-of-England notes than indigo or broad cloth*"—and that "*a one-pound note does* NOT *represent twenty shillings of that metal at the coinage price.*"

These answers, to my understanding at least, completely give up the whole of the case.

If "*gold be not a fairer standard for Bank of England notes than indigo or broad cloth,*" I could wish to learn what *is* the really fair standard?

If "*a one-pound note does not represent twenty shillings of that metal at the coinage price,*" what *does* it really represent?

Need I recal to any man's recollection the obvious, and, as I till lately imagined, undisputed grounds on which the precious metals have, not

in this country only, and by our system of laws, but in all civilized countries, and in all ages of the world, been received, by the common consent of mankind, as the fittest standard for measuring the value of all other commodities; and employed as the universal equivalent for effecting their exchange?—That the precious metals are less bulky in proportion to their value—that they are accurately, easily, and almost infinitely divisible—that they are less subject to decay—less likely to fluctuate in their supply,—less liable to be counterfeited or adulterated,—more homogeneous and uniform in quality, than either *indigo*, or *broad cloth*, or any other known commodity?

Gold in this country (as silver at Hamburgh) is really and exclusively the fixed measure of the rising and falling value of all other things in reference to each other. The article itself which forms this standing measure, never can rise or fall in value with reference to this measure—that is, with reference to *itself*. A pound weight of gold never can be worth a pound and a quarter of gold; and being divided, in this country, into 44 & $\frac{1}{2}$ pieces, called guineas, an ounce of this gold will always be worth $\frac{1}{12}$ of this sum, or 3*l.* 17*s.* 10$\frac{1}{2}$*d.* The truth of these propositions, which cannot, I conceive, be called in

question, would not be affected by any imaginable increase or diminution in the quantity of gold in the country. By such an increase or diminution, indeed, the value of all other things, (the quantity of those other things and the demand for them continuing the same,) would be increased or diminished in the same proportion, with reference to gold; but gold itself would still remain, just as much as before, the *fixed measure* of the rising and falling value of all other commodities, in reference to each other.

A Bank note is not a *commodity*: it is only an engagement for the payment of a certain specified quantity of *money*. It cannot vary its value in exchange for any commodity, except in reference to the general increase or diminution of the value of such commodity in gold, and in the precise proportion of that increase or diminution. Gold, therefore, is the test by which the value of Bank notes must be tried; and if a one-pound note, being an engagement to pay 5 dwts. 3 grs. of gold, is worth in the market only 4 dwts 8 grs. as stated by Mr. CHAMBERS in his evidence, it is equally worth only 4 dwts. 8 grs. in exchange for any other commodity.

It follows from this:—that a general increase of prices in all the ordinary commodities of any country is not, in itself, an indication of the de-

preciation of its currency.—Such an effect may arise from other causes. It could not fail to be produced by an increase of the precious metals. But any considerable or durable increase in the price of the precious metal which forms the standard of that currency cannot be ascribed to any thing but the depreciation of such currency; even if the price of all other commodities should be falling at the same time. This would happen in any country if, at the same period, when its currency is depreciated, in any given proportion, the supply of the precious metals were diminished, or the demand for them increased, in a greater proportion.

The currency of a country may be depreciated from two different causes:

1st. By the standard coin containing a less quantity of the precious metal which forms that standard, than it is *certified* by law to contain.

2dly. By an excess in the amount of that currency.

A great depreciation, arising from the first cause, took place, in this country, in King WILLIAM's time, when the quantity of precious metal actually contained in our coin was, upon an average, nearly 30 per cent. less than that coin was *certified* to contain. A smaller depreciation, arising from the same cause, was felt

early in the present reign, when the quantity of gold contained in our guineas was reduced by long wear, or otherwise, from 4 to 5 per cent. below the quantity they were *certified* to contain. To this evil, within these limits, it was then thought necessary to apply a remedy. That remedy was the general re-coinage of our gold in 1773.

Since that period the first cause of depreciation has ceased to operate in this country.

The existing depreciation, therefore, must be occasioned by excess. Depreciation from excess, if the coin of a country be maintained at its standard, cannot take place to any amount, or continue for any length of time, unless the currency of such a country consists, partly of paper, and partly of the precious metals: except indeed in the extreme case of that currency consisting wholly of paper, without any reference to its value in coin.

If the circulation of any country were performed exclusively by gold, for instance, and the supply of that metal in such a country were, from any imaginable cause, doubled, whilst the quantity of gold, and the demand for it should continue the same in all other parts of the world; the value of gold in such a country would be diminished. This diminution in the

value of gold would appear in the proportionate rise of all commodities: but gold being so much cheaper in the country in which its quantity had been thus increased, it would be bought by other countries, and exported from that country, till its value was restored again to a level in the different parts of the world.

If the circulation of a country were supplied, partly by gold and partly by paper, and the amount of that circulation were doubled by an augmentation of that paper, the effect upon prices at home would be the same as in the former case. But gold not becoming by this augmentation of currency more abundant, in such a country, than in other parts of the world,—as a *commodity*, its relative value to other commodities would remain unaltered;—as a *commodity* also, its price would rise in the same proportion as that of other commodities, although, in the state of *coin*, of which the *denomination* is fixed by law, it could only pass current according to that *denomination*.

When paper is thus augmented in any country, the exportation of the gold coin, therefore, will take place; not because gold, as a *commodity*, is become more abundant and less valuable with reference to other commodities in such a country; but, from the circumstance of its value

as *currency* remaining the same, while its price in that currency is increased in common with the prices of all other commodities. So far as such exportation takes place, the diminution which it effects in the total amount of the currency, has a tendency to support the value of the remainder, just as much, and for the same reason, as if, in the case of the circulation consisting wholly of gold, first an augmentation, and then an exportation to the same amount, had taken place, according to the first supposition.

An excess of paper has, in the first instance, the same effect upon prices as an excess of the precious metals, to the same amount, would have, in any particular country. But it does not admit of the same relief: it cannot *right* itself by exportation.

The currency of a country, then, is depreciated,

1st. If its standard coin contains less of gold or silver than it is *certified* to contain. In that case, the paper, as *representing* that coin, is also depreciated, and precisely in the same degree as the coin;

2dly. If the standard coin being of full weight, the paper which represents that standard coin, and is, or purports to be, exchangeable for it, is not exchangeable, at the same time, for so large

a quantity of gold or silver, as is contained in the coin which it represents. In that case, the coin though undiminished in value, must, as part of the currency, partake of the depreciation of the whole.

Consequently, if the coin be itself, *as coin* depreciated,—the paper which circulates with it cannot be otherwise than depreciated to the same degree. But if the coin be undepreciated as *coin*, and there be, notwithstanding, a depreciation of the general currency, the cause of that depreciation can only be in the paper: and that cause can be no other than the excess in which that paper is issued.

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I shall now proceed to state some of the assertions, and to examine some of the arguments and explanations of those who maintain the sound and undepreciated state of our present currency.

The first and principal of these arguments and assertions is one which, if it could be established, would at once preclude all further discussion. It is this—"That there can be no "excess of Bank of England paper in circulation, "so long as it is issued only in the discount of "bills of undoubted solidity, founded in real mer- "cantile transactions, and payable at fixed and

"not distant dates (60 or 90 days at the utmost), "or upon loan to government for publick securi- "ties." The limits of the latter description of advances are not quite so accurately defined, but the principal criterion seems to be "Government "not being able to dispose of such securities to "better advantage in the open market*."

Now admitting, what the Bank itself however states to be impossible, that any extent of experience, or any degree of caution, can be sufficient to guard them against ever discounting bills which do not fully answer the above description—it must, I think, be matter of astonishment to any man whose attention has been at all turned to these subjects, that, in the new

* Vide examination of Mr. Pearse, the present Governor of the Bank. Bullion Report, page 18, Appendix.

It is now many years since I had occasion to look into the Treatise of the famous Mr. LAW;—and from not having it at hand, I have no opportunity of referring to it at this moment. But I have a confident recollection that there exists a very strong resemblance between the principles on which his celebrated SCHEME was founded, and this leading doctrine of the Bank.—I mention this not invidiously, but by way of caution to those *practical* men, who see nothing in the Report of the Bullion Committee, but the production of *wild theorists*, and *speculative politicians*. I should be glad to know under what class of *theorists*, and in what order of *politicians*, they would have ranged any man, who, before the year 1797, should have ventured to recommend, as a safe system, the principles by which the Bank now professes to regulate its practice?

state in which the Bank of England has been placed since the suspension of cash payments, they could rely upon this mode of regulating their advances, as a perfect, steady, uniform and adequate check against any excess in the issues of their notes.

The confidence with which this doctrine was stated and maintained by the Governor and Deputy-Governor of the Bank, as well as by several eminent merchants, (not in the Bank direction,) before the Bullion Committee, is a strong proof, not only how much great corporate establishments are wedded to an existing system, and long established rules of action, however inapplicable to a new state of things; but how slow and reluctant, in such a state of things, individuals, otherwise of observing minds and excellent understandings, are, to call in question and examine the truth of early impressions, adopted upon authority, and followed from usage. This tardiness and reluctance are naturally increased, when interest is manifestly on the side of the existing system.

The Directors of the Bank, governing themselves by the rule above mentioned, had continued for a century to issue their notes, without those issues having ever led to an excess of paper circulation, at least of any continuance. But

then, during the whole of that century, their paper was convertible into cash at the option of the holder. The security against excess was not in their rule, but in this corrective.

Their profits, as a Bank, depending on the amount of their issues, it was their interest, at all times, to make those issues as large as possible: in this, the Publick had a sufficient security that the supply of paper should not be less than the demand. But, on the other hand, it was the obvious and plain interest of the Bank to guard itself against direct and positive loss: and in this the Publick had another, and not less adequate, security, that those issues should not be carried to excess. The tendency and result of such excess, if continued, for any time, would infallibly have been the rise of the market price of gold above the Mint price; and the consequent return of such excess of paper to the Bank in demand for guineas. This demand would have imposed upon the Directors the necessity of purchasing and coining gold at a loss; until, by a diminution of their notes, they should have restored their value to a level with the standard of money.

By the conflicting action of these opposite interests, the currency was kept at its proper amount, and in its regular course. But one of

these interests having ceased to operate, it is as vain to expect that the uncontrouled action of the other should continue to produce precisely the same effect, as it would be, in mechanics, to expect that a body impelled by two powers, acting in different directions, would continue in the same line of motion, if one of those powers were withdrawn.

The circumstance of the Bank confining its discounts to "bills of undoubted solidity, and founded in real mercantile transactions," has no connexion whatever with the question of sufficiency or excess in the amount of their notes in circulation. The "reality of the transaction," in which the bill originates, and the "solidity" of the holder, who by the deposit of such a bill, obtains an advance of notes, are prudent considerations with the Bank, in their character of a mercantile company, but they evidently afford no security to the Publick, that bills, though uniting both these qualities, may not be discounted to excess.

The shortness of the date of any such bill, "60 or at most 90 days' date," is another prudent banking precaution: and so long as the currency of this country continued in its sound and natural state, this regulation may, indeed, have

been fairly considered as forming a part of the security of the Publick against any durable excess of paper. It gave the Bank a power, in the case of a drain of guineas, to diminish expeditiously the amount of their issues by contracting their discounts, to shorten the duration of the run upon them, and to restore the value of their paper without any large sacrifice of their gold.

Now, however, that they cannot be assailed with any such indication of excess—now, that they have every motive for enlarging their discounts, and no inconvenience to apprehend from such an enlargement, this regulation is only of consequence to themselves, as bankers, duly careful of their own interest, in selecting for discount the best and safest bills; but it is altogether without avail for protecting the Publick against the evils of a permanent excess in the circulation of their notes.

The present Governor of the Bank (for whom as a personal friend I have the most sincere respect) having in his evidence before the Bullion Committee, stated that * "*in his view of the restriction on cash payments, no positive inconvenience would be likely to result from its being*

* Page 112.

*made a permanent measure**," it may appear to him, perhaps, rather extraordinary, that I should recur to the aid of his arguments, and to the weight of his authority, in support and illustration of the proposition which I have now stated, namely—that the security to the Publick against any excess in the circulation of Bank paper was

* In a subsequent examination this opinion was explained by Mr. PEARSE, in the following manner.

" I have already stated that I am not aware of any positive inconvenience resulting from the present operation of " the Restriction Bill, or likely to result from its being rendered permanent, except as far as regards an expectation " on the part of the Publick that it will be removed; but " this circumstance is, in my opinion, essential, and cannot " be kept out of view in any consideration of the subject. " Whether it would be advisable to secure the Publick " against a liability to the recurrence of the inconveniences " that led to the Restriction Bill, by sacrificing their feelings " on this point, and absolutely removing all expectation of " its being only a temporary measure, appears to me to be " entirely a political question, on which I do not conceive " myself qualified to give an opinion; but I may venture " to observe, that publick credit and publick opinion always " go hand in hand, and that the one is invariably influenced " by the other."

APPENDIX, page 120.

It is therefore clear that, abstractedly of " this expectation on the part of the Publick," the present Governor is of opinion, that " no positive inconvenience would be likely to result from the restriction being rendered permanent."

the certainty of such excess being returned upon them for gold; and that this is the *only* check by which the amount of their issues can be permanently kept within its proper level.

In his evidence*, adverting to the possibility of an excessive issue of paper by the country banks, he says—

"*This excess (of country paper), in my opi-*
"*nion, would no sooner exist in any material*
"*degree, than it would be corrected by its own*
"*operation, for the holders of such paper would*
"*immediately return it to the issuers, when they*
"FOUND THAT, *in* CONSEQUENCE OF THE OVER-
"ISSUE, *its value was reduced, or likely to be*
"*reduced below* PAR: *thus, though the balance*
"*might be slightly and transiently disturbed, no*
"*considerable or permanent over-issue could pos-*
"*sibly take place.*"

Now what is the state of a country bank? It will not be denied that it has the same interest, and the same tendency, as the Bank of England, to make its issues as large as possible. But then a country bank, from its being liable, at all times, to pay its notes in those of the Bank of England, at the option of the holder, is placed precisely in the same situation, by

* Report of the Bullion Committee, page 127, Appendix.

this check upon the amount of its issues, as the Bank of England itself was, by the necessity of paying in guineas, before the restriction. If, in any particular district of the kingdom, the circulation of which is supplied by country paper, an excess were to exist as compared with the circulation of the metropolis, which is exclusively supplied by Bank notes, the holders of such paper would immediately return it to the issuers, and would demand Bank of England paper, or, what is, for this purpose, the same thing in effect, bills upon London.

Whilst near 800 country banks, rivals of the Bank of England, and of each other, are exerting every endeavour to put forth their notes, what is it but the check created by this power in every holder of their paper to demand Bank notes, or bills upon London, that prevents any local or partial excess, and keeps the circulation of every district in the kingdom upon a PAR with that of the metropolis? Certainly not the description of securities on which the country banks make their advances: for, in this respect, they (at least many of them) are less prudent than the Bank of England, and do not confine themselves to "*good bills of exchange*, "*founded on real mercantile transactions*, *and* "*payable at short and fixed dates.*" Yet it is

admitted that they cannot make, or permanently maintain in circulation any over-issues of their paper. On this point there is no difference of opinion in the evidence taken before the Bullion Committee*. Indeed it cannot be disputed, so long as the country paper is interchangeable at PAR with that of the Bank.

Again, what was it, before the restriction act, but the check created by the power in the holders of Bank paper to demand gold for it from the issuers, which prevented any material or durable excess of Bank paper? This check was constantly ready to be applied, if, "*in consequence of an over-issue, the value of Bank notes was reduced or likely to be reduced below* PAR," in reference to the price of bullion, either here, or in the other parts of Europe; the circulation of the Bank of England being, in this respect, to that of Europe, what the circulation

* After the conclusive evidence of the present Governor of the Bank, and of the other witnesses who were examined before the Bullion Committee on this subject, I have been rather surprised to find the proprietors of Bank stock at their late meeting (as far as the sense of that meeting can be collected from the language of their learned orator) disposed to contrast the sparing amount of their *own* notes with the profuse emission of paper by the *country banks*; and to charge the *latter* exclusively with any excess in the amount of our circulation.

of a country bank is now to that of the Bank of England.

Thus, as it is most correctly expressed in the words of the Governor of the Bank, "*though* "*the balance might be slightly and transiently* "*disturbed, no considerable or permanent over-*"*issue could possibly take place.*"

The circulation of country bank paper being, therefore, in exact proportion to that of the Bank of England, it follows, that, in whatever degree the issues of the latter shall be excessive, the former must partake of such excess; and, consequently, that no regulation, affecting or restraining country banks, could be of the smallest avail towards diminishing the total amount of the paper circulation of this country, so long as the Bank of England shall continue to act upon its present system. If, in any one district, or in all the districts, where country paper now circulates, one half of it were withdrawn or put down, its place would be supplied by some other paper. Otherwise, the proportion between the circulation of the metropolis and that of the districts so affected would be destroyed. The result, therefore, of any intervention of the legislature for this purpose, beside being highly objectionable as an interference with the rights of individuals and of private

property, would be, only to add several millions more, and principally in small notes, to the amount of issues of the Bank of England; leaving the present evil exactly as it is:—a change which would open a wide door to forgery, and be attended with many other Publick disadvantages.

Whether security should be required from country bankers, before they are licensed to issue paper, is a subject which it would be foreign to my purpose to discuss. Such security, in a few instances perhaps, might improve the degree of credit which they might have a right to expect with the Publick. But this subject has nothing to do with the present question; which is simply,—whether there be an excess of paper now in circulation, and from what causes arising? and not—what may be the degree of confidence to which the issuers of any such paper may be respectively entitled? The depreciation occasioned by such an excess would be just the same, if every country bank were notoriously as solid and as rich as the Bank of England*.

* This is a part of the subject which it is material should be well understood; because many persons witnessing the great multiplication of country banks within these two last

The explanations which have been offered by those who have endeavoured to shew that the high price of gold in England is not connected with any excess in the issue of Bank paper, are, 1st. That the immediate and operative cause is a great scarcity of gold, and a consequent demand for it, on the continent. And, 2dly. That speculation in the purchase of it in this country has been carried, and is still going on, to a very great extent, in consequence of the course of exchange with the continent having been for the last two years, and still continuing, so much against this country.

years, are disposed, at first view, to think that in them is the root of the evil.—Let the parent stock be restored to its natural, healthy, and sound state, and the country will have nothing to apprehend from these ramifications of credit and circulation. No special interference with them would, in my opinion, be requisite or beneficial.

The Report of the Bullion Committee has been the subject of much artful misrepresentation; sometimes ascribing to the members of that Committee a *wish* to put an end to paper credit altogether; sometimes an *opinion* that it ought to be reduced to the same amount as in 1797.—Nothing like such a *wish*, or such an *opinion*, can be collected from the Report.—On the contrary, it speaks in the strongest terms of the advantages of an extensive circulating credit, and expressly states, that any increase in its numerical amount is, of itself, no proof whatever of its being in excess.

In these explanations every thing is assumed. First, it is assumed that gold is very dear on the continent.—Dear, in exchange for what? For the gold coin of the continent? Such an assertion would be ridiculous.—Dear, in exchange for any depreciated paper? This is very probable in several parts of the continent, but is surely not the criterion to which we shall be referred.—Dear, in exchange for all other commodities? Is this a fact? Where is the evidence of it? Are cloth, corn, iron, or any other leading articles, *twenty per cent.* cheaper on the continent, than they were, if paid for in gold? Certainly not. And if they were so on the continent, has not the drain lasted long enough to bring matters to a level and produce the same effect in this country?—Has the price of commodities, in this country, fallen within these two years? Is not the contrary notoriously the fact?

But it may be said, that we have Bank notes as a substitute for gold, and that it is by an abundant supply of them that prices at home are raised and improved. Be it so.—In proportion as commodities are *dear* in Bank notes, Bank notes are *cheap* in respect to commodities. Gold, we are told, is scarce, and, therefore, must

be *dear*, whether measured in those same commodities, or in any thing else. What is this argument, on the part of those who deny the depreciation of Bank notes, but to tell us, in the same breath,—that gold is *dear*—that Bank notes are *cheap*—but that Bank notes are of the same value as gold?

Nothing appears to me to indicate that the value of gold, in reference to ordinary commodities, has increased in the general market of EUROPE.—The annual produce of the gold mines, it is true, appears not to have been so large, during the last half century, as at some former periods; but the supply does not seem to have suffered any diminution of late years.

The relative value of gold to silver may have been, in some trifling degree, increased. The quantity of silver lately imported from America, has been unusually large; while the demand from the East Indies and China has altogether ceased: nay, I am informed that a large supply of dollars was imported from the latter country, by the fleet recently arrived from *Canton*. Every presumption, therefore, is, that the value of silver continues progressively, though slowly, to decrease in Europe.

This alteration in the relative value of the two precious metals, may render it necessary, here-

after perhaps, to change the proportion which they now bear to each other in our Mint regulations.

In FRANCE, where the currency is chiefly silver, an alteration appears to have been recently made in the gold coin, to the effect of raising its proportion to that of silver, from $15\frac{1}{5}$, to about $15\frac{1}{2}$. According to Mr. GREFULHE's evidence, this slight alteration appears, very nearly, to have put an end to the premium which before existed on the gold coin. In ENGLAND the present proportion of our Mint is about $15\frac{1}{5}$ to one. If, at any future period, it should be thought necessary to raise that proportion, the alteration would perhaps be best effected by lowering, in whatever degree it might be necessary, the standard price of silver, so as to leave that of gold, which is our currency and *legal tender*, always fixed and invariable*.

* It was once my intention, in the course of this discussion, to have made some observations on the state of our silver coin, and the many serious inconveniences which are brought upon the community, (particularly upon the lower classes) from its scarcity, as well as from its debasement; and also to have stated my ideas on the subject of a new silver coinage. But a very little reflexion will satisfy every reader that, in the present state of things, and so long as we have no *fixed standard* of value for our currency, it would be ab-

It is not, however, to a diminished produce from the mines, but to a greatly increased demand occasioned by the wants of the armies, or to the practice of hoarding, or to both, that the alleged high price of gold on the continent is imputed. The change in the proportion of gold to silver, by the recent alteration in France before stated, appears to have been rather less than 2 per cent. Now, for many years before this alteration, and consequently before the high price of gold in England, there was at *Paris* a premium or *agio* of about $1\frac{1}{2}$ per cent in favour of gold. This *agio* is now stated to be reduced to $\frac{1}{4}$ at the utmost—Consequently all the rise that can possibly be ascribed to the temporary causes to which the present demand for gold is attributed cannot exceed $\frac{3}{4}$ per cent.

It is true that, both at Hamburgh and Amsterdam, there appear to have been occasional fluctuations to a greater amount, and that, for

surd, and almost impracticable, to send into circulation any new coinage. The present evil, therefore, admits of no remedy; but will rather increase, so long as the depreciation of our currency is suffered to continue: when that shall cease, it will be time enough to consider what should be done in respect to our silver coin. The want of it is an evil, of no trifling moment in our money system, but secondary, as well in point of importance, as in order of time, to the question now under consideration.

certain short periods, a larger premium is said to have been given, sometimes for gold in bars, and sometimes for some particular coin; though very far within the limits of the difference between the Mint and market price in London. This must have been owing to some particular circumstance, having a temporary effect on those markets: otherwise the *agio* at Paris would soon have been affected in the same degree; which does not appear to have been the case.

But facts are not the only difficulty in the way of this explanation; it furnishes abundant argument to destroy itself. It will scarcely be contended by any one, that the commerce, the manufactures, or the internal prosperity of the continent, have so rapidly increased, of late years, as to require any great and rapid increase in the amount of its circulating medium. If, from any peculiar and temporary circumstances, a disposition exists to prefer gold to silver, as that medium, it cannot well be denied, that, in proportion as silver is discarded (especially whilst the supply from AMERICA is more than usually abundant, and the demand from ASIA stopped), *silver*, at least ought to be particularly *cheap*, in exchange for undepreciated Bank notes, of the full standard value of the coin of this realm. Now is this the case?

Gold, we know, has risen so much above this newly established paper standard as to be worth 4*l.* 12*s.* per ounce in that paper. Has not the price of silver risen in nearly the same proportion? The present market price of silver of standard fineness is about 5*s.* 10½*d.* per ounce; which ounce, by the Mint regulation, is divided into 5*s.* 2*d.* only. If the relative value of gold to that of silver be somewhat increased, as there is reason to believe; if it should, in consequence, be thought expedient to vary the proportion of our Mint from 15⅕ to 15½, the depreciation of our paper, measured in silver, would then be very nearly, if not altogether, as great, as it now is, if measured in gold.

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Let us now briefly inquire what aid the question of our foreign exchange can afford, in explanation of the difference between the standard of our coin, and the actual value of our currency.

Respecting the nature of exchange, and what is understood to be the *real* PAR between two countries, there is no point in dispute. The *real* PAR, it is admitted on all sides, consists in the *equality of either of the precious metals mea-*

*sured in the respective currencies of the two countries.* So far, all the merchants who were called before the Bullion Committee concur with the statement of the Report. In substance, they are likewise all agreed with the Report, (however much the admission is at variance with some of their own arguments,) that the *real* depression of the exchange can never exceed, for any length of time, the expense of transporting bullion from the debtor to the creditor country. Nothing can more strongly confirm the truth of this last position, than the evidence and calculations furnished to the Committee by Messrs. *Grefulhe* and *Goldsmid*; which prove that, at the period of the present year, when the *quoted* rates of exchange with the continent were most unfavourable, the *real* fall did not materially, if at all, exceed this amount: consequently the difference between the loss on the *real* and the *nominal* rates of those exchanges was to be ascribed to some other cause.

Two very erroneous opinions on this subject are most generally received in the theory of the mercantile world.

1st. That, whenever the exchange is against any country, the natural and general course of

balancing the account is by a payment in bullion.

2dly. That the balance of these payments in favour of any country is finally to be measured by what is called the *Balance of Trade;* or the excess of exports above imports.

These two positions lead to a third, which is the fashionable doctrine of the day; namely,

3dly. That the *Balance of Payments* may, for a time, be very much against a country, although the *Balance of Trade* is, at the same time, very much in its favour: that is, that a country, buying for ready money, and selling at long credits, may be exporting a great quantity of its bullion; although a much greater quantity is actually due to it, and will be forthcoming in the adjustment of its accounts, when these credits come to maturity.

Such is affirmed to be the present situation of this country, and the true explanation of the very depressed state of our foreign exchanges.

The first of these positions is so little conformable to truth, and to the real course of business between nations, that there is, perhaps, no one article of general consumption and demand, which forms the foundation of so few operations of trade between the different countries of Europe as bullion; and that the operations,

which do take place, originate almost entirely in the fresh supplies which are yearly poured in from the mines of the New World; and are chiefly confined to the distribution of those supplies through the different parts of Europe. If this supply were to cease altogether, the dealings in gold and silver, as objects of foreign trade, would be very few, and those of short duration.

To establish and illustrate this view of the subject, let us suppose that in consequence of purchases made by England on the continent, greater than had been made by the continent here, or in payment of any debt, service or demand, bills upon England are offered for sale in the markets of the continent; and that the supply of such bills exceeds the demand. Their price, like that of any other article, under similar circumstances, must fall; and the exchange, which we will suppose to have been before at PAR, will of course turn against England; but to this fall there are limits in the competition of the buyers. This competition commences as soon as those bills are offered at such a price as enables a buyer to use the credit which he obtains upon England by the purchase of such a bill, either as the means of paying for any goods for which he has already contracted; or of buying

others, so as to afford him the prospect of a profitable employment for the capital engaged in the transaction. Much of the skill of a general merchant consists in these calculations; and his intelligence is aided by a comparison of *prices current;* as well as by the peculiar means of information which he may be able to procure from any other sources, respecting the state of supply and demand in the different markets of the world. Now, of all the articles of trade, bullion is the least likely to offer this temptation to the purchaser of a bill of exchange; because its price is more steady and uniform, and always nearer to a level (from which it never long departs,) than that of any other commodity, in the different markets of Europe. In proportion as these bills are bought at a greater difference below PAR, is any holder of them enabled to buy goods cheaper in England. For instance, if, for 100 ounces of gold at Hamburgh, of any given weight and fineness, he obtain an assignment for 105 ounces in London; it is clear that this is equal to a premium of five per cent. on the purchase of such goods. An unfavourable course of exchange consequently, operates as a bounty upon all exports, and as a tax upon all imports. This bounty and this tax necessarily excite a competition to export, and

a diminished disposition to import; by the joint effect of which, in all ordinary cases, *without any transmission of bullion*, the *real* exchange is brought back to its PAR, and probably rises above it. In its turn, this rise is checked and counteracted by the operation of the same causes; and thus, like the mariner's compass, the exchange is in a state of frequent variation; but of variation confined within certain natural limits. If indeed a fall in the *real* exchange exceeds these limits, which are confined to *the actual expense of transmitting bullion from the debtor to the creditor country*, particular individuals will export bullion. They will be induced to do so by a profit much smaller than would tempt them to a speculation in any other merchandise, because such profit, however small, is in this case quick and certain. But, this exportation of bullion, in the ordinary transactions of trade, instead of being, as is supposed, the habitual mode of adjusting accounts between one country and another, is of rare occurrence, and, when it occurs, can never continue long, because the transmission of a comparatively small quantity of that metal which forms the standard and currency of a country, not only operates, like that of any other commodity, to diminish in so much the balance of debt to other coun-

tries; but likewise to force the exportation, and to diminish the importation of all other goods; and thus more rapidly to improve the exchange, than the export of any other commodity to the same amount. As the exchange improves, the exportation of bullion of course ceases.

The principle and its application are the same, whether we contemplate only one transaction, or embrace the aggregate result of all the different transactions in trade, and of all subsidies and government expenditure abroad, on the one hand, and payments to be made here, on the other, as well as all other causes and speculations influencing the bill market on both sides of the water.

The circumstances of the exchange between Ireland and Great Britain in the years 1803 and 1804, as stated in the very able Report of the Committee appointed by the House of Commons, in the latter of these years, "*to enquire into the state of Ireland, as to its circulating paper, its specie and its current coin, and the exchange between that part of the United Kingdom and Great Britain,*" afford a striking illustration of the doctrine which I have endeavoured to explain, and of the fallacy of that theory which refers all the variations of exchange to the *Balance of Payments* and the *Balance of Trade.*

The commercial intercourse between Great Britain and Ireland is exposed to no political interruption;—the trade between them in bullion is free;—the standard of both countries is the same;—the transfer of coin from one to the other is liable to no interruption or restraint;—the actual expense of transporting it was proved before that Committee not to exceed one *per cent.*; —it was then, as it is now admitted, that the fluctuations in the exchange between any two countries could not materially or for any length of time exceed this actual expense; and although the exchange had been for several months from 8 to 10 *per cent.* against Dublin;—although it was proved that what is called the *Balance of Trade* was in favour of Ireland;—although there was no reason to believe that there was any transmission of guineas from Ireland to Great Britain;—although the exchange between London and the north of Ireland, (Belfast,) in which no paper currency existed, instead of being from 8 to 10 *per cent.* against, was, during the same months, about one *per cent.* in favour of Ireland*;—although this fact alone incontrover-

* In the middle of February, 1804, for instance, the exchange of Dublin upon London was 17½—that of Belfast upon London 7¾.

Vide Appendix to the Report of 1804, pages 136 and 155.

tibly proved that the *real* exchange was in favour of Ireland, and consequently that there could be no exportation of gold from it;—although it was a necessary consequence of this state of things, that the exchange between Dublin and Belfast was from 9 to 11 *per cent.* in favour of the latter; (just as in the last century, and from a similar cause, it had been from 4 to 6 *per cent.* in favour of London and Newcastle against Edinburgh;)—although it was impossible for the merchants and Bank Directors, examined before that Committee, to controvert these facts, or to reconcile them with their own doctrines and admissions;—still nearly all of them professed to be thoroughly convinced that *there could be no excess or depreciation of Bank paper* in Ireland. They persisted in ascribing the fall of the exchange altogether to the *Balance of Payments* and the *Balance of Trade;* and rejected all explanation which connected that fall with the depreciation of Irish paper.

Now, if under these circumstances Irish paper was not depreciated in 1804, with reference to the currency of other countries, it follows, that English paper was then, with reference to the same criterion, at from 8 to 10 per cent. *premium.* Does any man believe *this* to have been the case? If there be any man who does, he

and he alone, has a right to maintain that our paper (having in some way or other, since got rid of that premium) is now at PAR.

Soon after the Report of 1804, the amount of issues of the Bank of Ireland being reduced, the exchange with Dublin was gradually improved; and the Directors of the circulation of that country have since kept the depreciation of their paper generally upon a level with that of English paper.

What the currency of Ireland was in 1804, as compared with that of Great Britain, the currency of the United Kingdom now is, with reference to that of Hamburgh or Amsterdam. The arguments and preconceived theories of those who stood up for the undiminished value of the one, were the same as are now resorted to by those who deny the depreciation of the other.

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If the reader should concur with me in the few observations which I have ventured to submit to his judgment, he will now be able to form a tolerably just estimate of what is called the *Balance of Trade*.

If one country have a claim upon another, the holders of that claim have but two ways of

using it: either they will leave the amount in the debtor country, as so much capital to be vested there at interest, or employed in such other manner as they may think proper;—or they will withdraw it. The latter is so much the more usual course, that, in the magnitude of the operations of this country at least, we may, except perhaps from very temporary circumstances, consider the former as having little or no influence on the exchange. Now, no claim can arise from one country upon another (except in the way of tribute or exaction) which is not founded in some *equivalent.*

An exchange of *equivalents* is the foundation of all *commerce*, from the simple barter of the untutored Indian, to the most complicated and extensive operations of the London merchant. No nation, therefore, can permanently export to a greater value than it imports, as far as exports and imports are created by a *commercial intercourse* with other nations. But a considerable part of our imports are not derived from *commerce.* From our colonies, a great proportion of them is in the nature of rent remitted in kind, to the owners of colonial estates who reside in England; to which are to be added, as farther exceptions, the produce of our fisheries; and of any portion of our territorial revenue in

India, or of the savings of public servants civil and military, in that quarter, sent home in goods. If these returns were abated from the sum total of our imports, the annual *Balance of Trade* in our favour, as stated to Parliament, would appear still more considerable. Yet, taken for any length of years, no part of this balance is created by our commerce. For every thing that we receive, through that channel, an *equivalent*, and no more, is returned. All that we send out, above the amount which is thus returned, is drawn from us by the remittance of the profits of foreign capital vested in this country, or is to be accounted for under the several heads of our foreign expenditure. A great balance of trade, therefore, instead of being the natural criterion of increasing wealth at home, is only a certain indication of a great expenditure abroad.—It is an indication of wealth, only in the same way as any other great expenditure, by proving the power and ability of the country to sustain it.

Whilst it is true, however, that the vaunted *Balance of Trade*, or the excess of our exports above our imports, is not, as it has been represented, and is generally believed, the *measure* and the *realization* of the profit derived to us from our foreign trade; but is, in fact, only capital sent out of the country for which no capital

is returned to it; it is by no means to be inferred that this expenditure is without equivalent, though without commercial return: still less that it is not beneficial to the country, or that the sum so expended could be employed in any manner equally conducive to its interests. Nor is it to be inferred that the not incurring this expenditure abroad would be a clear saving, or, perhaps, any saving at all.

It must be obvious to every one, that the two great heads of this expenditure are our armies and fleets abroad; and subsidies to foreign states. Our soldiers, our sailors, the publick servants of every description, so far as they are furnished abroad with whatever is necessary for themselves, or for the operations in which they are engaged, give, to those by whom they are supplied, assignments upon the produce of this country. These assignments, like any other bills of exchange, are converted into whatever articles the ultimate holders of them find it most to their advantage to export from this country. If this head of our foreign expenditure, therefore, were reduced by the recal of all our publick servants, civil, naval, or military, now maintained abroad; still if the same number were to be maintained at home, the real saving to the country would not bear any considerable

proportion to the reduction in our foreign expenditure. The *Balance of Trade* would be diminished in proportion to that reduction; but such diminution would obviously be no proof whatever of the declining prosperity of the country.

A subsidy to a foreign state may or may not be politically wise; but, in the view which is here in question, it must be considered as being paid for a service to be performed, which is held to be *equivalent* to the expense incurred. The withholding such a subsidy would, in many cases, be obviously the very reverse of economy; but it seems quite as obvious that, in whatever mode it be remitted, it must augment to that amount what is called the *Balance of Trade* in our favour.

It may, perhaps, be asked, if commerce is nothing more than an exchange of *equivalents*, and the *Balance of Trade*, taken for any length of time, only the measure of our foreign expenditure, in what way is a country enriched by trade? To those who may be disposed to ask this question, I would, in the first place, reply by putting one or two others. What is the *internal* trade of any country, that is, the trade carried on between different districts of the same state within the limits of its territory, but an exchange

of *equivalents?* Is this a trade by which the one gains and the other loses? by which *Yorkshire* is enriched at the expense of *Kent?* Then, if our internal trade be an exchange of *equivalents*, what is the distinction, in this respect, between it and foreign trade? What takes away this character from the latter?—and what, after all, is the latter?

To the question—how then are we enriched by trade?—the answer appears to me as obvious, as it is consistent with this doctrine.

The mind and faculties of man are constantly engaged in pursuit of his own happiness, and in multiplying the means of subsistence, comfort, and enjoyment. Trade, which effects the exchange of a part of the productions of the soil, industry, and talent of any one country, against those of the soil, industry, and talent of all other countries, is the great instrument of multiplying these means. By the aid of this exchange, not only those natural productions, which Providence has distributed in abundance in one portion of the globe, and refused to some other, are rendered common to all; but the soil of every country, and of every portion of every country, is left at liberty to be cultivated principally, or wholly, if necessary, in raising those productions for which it is best calculated and adapted;

those which, by experience, it has been found to afford of the best quality, in the greatest abundance, and at the least expense of capital and labour. Labour or capital, employed in manufactures, is enabled to avail itself of local situations and natural advantages, (for instance, a stream or a coal-mine,) and to adapt itself, exclusively, to those pursuits, in which, from any peculiar disposition, dexterity, ingenuity, or fortuitous discovery, the people of any particular country, or any particular part of them, may excel. The advantage derived from the division of labour is well known. What is effected by the operation of that principle, for a single undertaking, is, by the aid of commerce, effected for the whole world. Commerce enables the population of each separate district to make the most of its peculiar advantages, whether derived from nature, or acquired by the application of industry, talent, and capital;—to make the most of them for its own consumption; leaving, at the same time, the greatest possible remainder to be given in exchange for any other commodities produced more easily, more abundantly, or of better quality, in other districts of the world. It is *thus* that a country is enriched by commerce.

Apply this, for example, to England. Much

is required for the subsistence, much for the comfort, much for the enjoyments and luxury, of the people of this country. Now, if we could not, or, by a mistaken policy, would not, procure salt meat from Ireland; a country, in which, we will assume, that, from its superior pasture, one acre will feed as many cattle as can be fed upon two in this country; it is obvious that, if we still wanted to consume the same quantity of meat, a larger portion of our soil must be allotted to pasture.—Consequently, we should have less of corn, hops, or some other article of our present growth.

In the same way, if we had resolved, that, instead of importing sugar, we would make it from beet-root, the sweet maple-tree, or any other vegetables, which could be raised in this climate; we should be obliged to allot a great portion of our soil to their growth; and, after all, we should have very little sugar; and we should have much less of other produce than we now have, together with an abundant supply of sugar. The same observation will apply to hemp, or to any other article principally imported from other countries.

Certain small states, which have been enriched by commerce, form no exception to the truth of these observations.—Favoured by natural advan-

tages of situation; pursuing a more enlightened commercial policy than their neighbours; deriving commercial security from their own political weakness, and from the jealousy and wants of more powerful nations; they became, when trade was little understood and less esteemed, the carriers for all the other parts of the world. Great capitals were requisite for this purpose; and being thus concentrated in certain spots, they were gradually increased by thrifty management, till the owners were enabled, by successive accumulations, to employ part of their wealth in advances to the countries with which they traded, and thus to become partners in the produce of those nations. VENICE and AMSTERDAM, each in the days of its prosperity, may have been, what LONDON now is,—the *focus*, in which the greatest mass of capital is drawn together; the largest *emporium* of the goods and produce of all other countries; and the fountain-head of commercial credit.

The great profits, which center in these capitals of the trading world, are the result of wealth gradually accumulated, or tempted from other quarters, by better prospects of advantage, and by confidence in a more assured state of property. It is this wealth which, in the first

instance, creates the trade and not the trade the wealth. But whatever may have been the profits and accumulation of wealth made by the mercantile community in any one of them, or the incidental advantage of such accumulation to the particular country; the benefits conferred on all individuals, and all countries, whose productions were exchanged by the intervention of *their* capital, industry, and talents, were reciprocal, and to each *equivalent.*

Every addition to the productions of a country, whether ultimately consumed at home or not, adds equally to its means of commercial exchange with other countries. To improve agriculture, therefore, is to extend commerce: and every new channel opened to the latter, affords additional encouragement to the former. It is thus that they both contribute to the wealth of a country; and that the improvement of that wealth is most effectually consulted by leaving to every part of the world to raise those productions for which its soil and climate are best adapted.—Yet, such is the barbarian ignorance, or detestable policy, which presides in the councils of France, and sways those of continental Europe, that we are boastingly told of whole districts in Italy and Pro-

vence naturally fertile in other rich productions, being devoted to the raising, at vast expense, of a little very bad cotton. We hear of Princes in Germany, devising wretched substitutes for coffee, or planting forests of sweet maple, and sinking great capitals in the erection of works for the manufacturing of sugar: and all this, at the same time that the natural productions of their agriculture, those best suited to their soil and climate, in exchange for which these articles might be procured in abundance, are rotting in the fields for want of a market.

If it were in the nature of violent passions and headstrong power to take lessons from experience, *Buonaparte* perhaps would begin to perceive, that the mercantile superiority for which he envies and hates this country, grows, not so much out of commercial regulations, as out of a system of laws, which affords perfect protection to property, admits of no degrading distinctions in society, encourages industry, fosters genius, and excites emulation, and is supported by that moral, manly, and national character of our people, which is only another of the many advantages derived from that system: that the wealth, which is employed in commerce, is the result of long accumulation, uninterrupted by popular violence, or arbitrary ex-

actions; that so long as these blessings are continued to us, on the one hand, and, as on the other, his warlike pursuits abroad, and capricious regulations at home, conspire to drive commerce from the continent, the capitals engaged in trade will seek protection and employment in England; and that, whilst he is thus engaged in adding incalculably to the misery of Europe, by debarring it more and more from the benefits and enjoyments which commercial intercourse affords to mankind, the blow aimed at this country, is counteracted by the course which he pursues; and the national capital and resources of Great Britain are, upon the whole perhaps, rather increased by the very system on which he has founded the vain hope of reducing us, either to submission or to ruin.

These few observations would suggest many more on this interesting and important branch of political economy. But I am aware that I have already been guilty, in some degree, of a digression from my subject: to which, however, I have been tempted by a persuasion that there is no political question on which the prevalence of false principles is so general, as in what relates to the nature of commerce, and to the pretended *Balance of Trade*; and that there are few which have led to a greater number of practical mis-

takes, attended with consequences extensively prejudicial to the happiness of mankind.

In this country, our parliamentary proceedings, our publick documents, and the works of several able and popular writers, have combined to propagate the impression that we are indebted for much of our riches to what is called the *Balance of Trade.* This impression, which has spread through Europe, has contributed, not a little, every where, to suggest the imposition of unnecessary restraints upon trade, and perhaps to render acceptable for a time, even to the nations who were suffering from it, the wild attempt to exclude British commerce from the continent. The jealousy, which our general prosperity creates, is enhanced by a notion that it is altogether the effect of our commerce. Whilst our merchants are individually reputed pre-eminent for good faith and fair dealing, the opinion entertained of us, as a nation, is, that we are little short of *sharpers* in trade; and that, whatever we gain by *it* is so much lost to those who deal with us.—For the countenance given to this opinion, prejudicial to every country, but not least so, to ourselves, we have, I think, more to answer than the most envious of our neighbours. Our true policy would surely be to profess, as the object and guide of our

commercial system, that which every man, who has studied the subject, must know to be the true principle of commerce;—*the interchange of reciprocal and equivalent benefit.* We may rest assured that it is not in the nature of commerce to enrich one party at the expense of the other. This is a purpose at which, if it were practicable, we ought not to aim; and which, if we aimed at it, we could not accomplish. Let us not then disclaim a virtue which we, perforce, must practise. The boast of wealth growing out of unequal advantages would be but a vulgar boast, even if it could, in the nature of things, rest on a real foundation.—Our legitimate pride should consist, not in the superiority of the means with which Providence has blest us for the improvement and extension of our own commerce, but in the consciousness that those means cannot be employed for purposes purely selfish, and that we do not desire so to employ them. Our national character is to be exalted in the eyes of foreigners, not by a self-complacent display of our own prosperity, but by shewing to surrounding nations that they have an interest in that prosperity, and that we prize it the more, not because we believe it to be exclusive, but because we know it to be communicable.

To come back, however, to the subject of foreign exchange. I have hitherto proceeded upon the supposition of the money of any two countries, between which an exchange is established, retaining their relative weight and fineness, according to the standard of their respective Mints, upon which the PAR between them was originally settled. If, in either country, the standard, or the denomination, be altered, whilst, in the other, they remain the same; of course the *real* PAR will be altered in the same proportion, although this alteration will most probably be effected without any variation in the mode of stating the course of the exchange; just as a shilling is still called a shilling in Ireland, although its current value has long since been raised from 12*d.* to 13*d.* This gives rise to what, in the Report of the Bullion Committee, is called the *computed* PAR. Even without any change being made by law in the standard or denomination of the currency of either country, this PAR would seldom be found perfectly to accord with the *real* PAR; because the degree of wear might be different in the two currencies, or even in different portions of the same currency. It is only when both contain the full quantity required by the Mint regulations of the respective countries, or are equally

diminished by wear, that the *computed* and the *real* PAR are, in fact, exactly the same. The *real* PAR will also vary where the standard of the one country is gold, and that of the other silver, with every fluctuation in the relative value of these two metals.

The regulation by which our gold coin, if reduced more than a small fraction above one *per cent.* ceases to be a *legal tender*, would prevent the foreign exchange from being affected to any greater degree, by the wear or clipping of our coin; even if the currencies of other countries were constantly of their full standard weight and fineness. It is owing to this regulation that the exchange became much steadier, and was more generally in our favour, after the re-coinage of our gold in 1773.

No alteration can be made in the standard, or denomination of the currency of any country, without the precise effect of it upon the value of such currency being immediately and generally known: and a corresponding alteration as immediately ensues in the rates of exchange with other countries, though the former mode of *computing* it may still be continued. In Ireland the *standard* is precisely the same as in England; but the denomination of the shilling being raised in the former country, to

*thirteen-pence*, the exchange is at the *real* PAR when it is stated to be $8\frac{1}{3}$ against Ireland: on the other hand, if the standard of our gold were lowered in England $\frac{1}{12}$, whilst it remained the same in Ireland, or if the denomination of our shilling were raised to thirteen-pence, or that of our guinea to 22*s.* 9*d.* the effect, in either case, would equally be to do away this *computed* difference against Ireland. It would be very easy to multiply examples of similar alterations in the currency of different countries, attended with a corresponding effect upon their respective exchanges.

Although our present situation is somewhat different from that which would arise from an alteration in the standard, or in the denomination of the coin, the effect on our foreign exchange is precisely the same.

Our gold coin is not materially deteriorated by clipping or wear; nor has its standard been lowered, or its denomination raised: but for coin we have substituted a paper currency; which, from being issued to excess, and from that cause only, no longer actually represents the quantity of gold which it purports to represent.

The following case will perhaps illustrate this part of the subject.

Suppose 12 ounces of gold, of standard fineness, to be converted at PARIS into French currency, and that, with the proceeds, is bought a bill of exchange upon LONDON for 56*l.* sterling. If, at the same moment, this last sum in English currency (Bank notes,) would purchase exactly 12 ounces of standard gold in London, the *real* exchange of Paris upon London, it is admitted, would be at PAR.—If that sum would purchase 12 ounces and a half, the *real* exchange would be against London: if it would purchase 11 ounces and a half only, the *real* exchange would be in favour of London. Now, 12 ounces of gold being equal to 44 guineas and a half, or 46*l.* 14*s.* 6*d.* the difference between that sum and 56*l.* would, in the first supposition, be the measure of the depreciation of the latter sum in Bank paper. In the same manner, that depreciation may be calculated in the two other instances.

In the first case, the loss upon the exchange arises solely from the depreciation of the paper, and is exactly equal to it. In the second, the loss on the exchange is greater than the depreciation of the paper; in the third less: the difference, one way or the other, being half an ounce of gold, or 1*l.* 18*s.* 11¼*d.*

Whether, in point of fact, the *real* exchange

with the Continent be, at this moment, for or against this country, it may be difficult accurately to determine. If the difference, here, between the Mint and the market price of gold, such as can be legally exported, be less than the loss on the *computed* exchange; the presumption is, that the *real* exchange is against us, in nearly the amount of that difference.

It being admitted, on all hands, that our currency has no value in a *foreign* country, except in proportion to the *quantity* of gold which it actually contains, or which can be procured for it by purchase in the market; I could wish that some of those who have made this admission, but who do not admit the depreciation of our paper, would explain, distinctly, what it is, other than that *quantity*, which determines the value of such currency amongst ourselves? Is it any thing in the coinage? Those who allow that 44 guineas and a half, new from the Mint, and 46*l.* 14*s.* 6*d.* in Bank notes, are *equal values*, and who cannot deny the fact that 56*l.* in notes, will not buy one grain more of gold than is contained in those 44½ guineas, will hardly contend that any thing is gained by the coinage. In truth, their position, as to the undiminished value of our currency, can not be maintained at all, unless they can make out that two *unequal*

*quantities* of the same article are *equal* to one another: and, if they can succeed in this, they may as well raise the guinea to the value of five guineas, and declare all our shillings crowns at once.

But, after all, the subject of *foreign* exchange is, of itself, of little interest or importance, compared with the question, to which it is incidental, of the diminished or undiminished value of our currency at *home*. It is, indeed, connected with the question of depreciation only as it is a symptom of that depreciation. Whether it be, as has been contended by me, and is, I think, satisfactorily made out, a symptom consequent upon the existence of the disease; or whether as others contend, it is the predisposing cause of it;—in either case, the disease equally exists, and equally demands a remedy. To talk of postponing the remedy until this symptom shall cease, is, in fact, to perpetuate the disease.

In King WILLIAM's time, the same disease (a depreciation of our currency) was accompanied, as it is *now*, with a corresponding depression of the foreign exchange. *Then*, as *now*, there were not wanting those who wished to invert the relation which these two evils really bear to each other; who maintained that the high price

of bullion, as measured in our currency, was produced by the unfavourable course of the foreign exchange; and who would fain have recommended to Parliament, rather to wait, in helpless expectation, for the disappearance of the evil over which they had no controul, than to apply themselves to the grievance which it was in their power to redress. But Parliament, at that time, felt, that, whatever might be the depression of the foreign exchange, it was their first duty to deal with the manifest evil in the state of our currency, from a conviction that it was, not only a question of policy, but strictly of good faith.

That it *is* a question of good faith, can any man doubt, when he considers that the *stamp* affixed to our coin is nothing more than a *guarantee* given by the sovereign that, in *weight* and *fineness*, the money of the country is in exact conformity to the *standard* fixed by law?—when he considers that for the express purpose of making this *guarantee* completely effectual, the law which makes that money a *legal tender*, has, at the same time, denounced the severest penalties against those who shall imitate or counterfeit such *stamp*; and takes away the character of *legal tender* from any portion of that money so *stamped*, if, from any accident or circumstance

whatever, the *quantity* of gold certified by the *stamp*, is reduced in a greater proportion than about $1\frac{1}{10}$ per cent. ?—that the value of our money being thus accurately ascertained and determined, all pecuniary contracts and bargains have been made, and all engagements accepted, in the full confidence and assurance, that the public faith so firmly pledged, so strongly sanctioned, and so cautiously guarded, would never be violated or impaired?

Does it not follow from these premises, that any contrivance which, under the same *denomination* of money to which this *guarantee* applies, should compel any individual to accept, in payment of a legal debt, a smaller *quantity* of gold than is certified by the stamp to be contained in such *denomination*, would be a violation of the publick faith; and a loss, to him as creditor, of whatever may be the difference between the *quantity* of gold to which he is entitled under the *guarantee* of the sovereign, and the *quantity* contained in the currency in which he is actually paid, or which can be procured for it at the time of such payment?

In truth, there is but one security for the maintenance of the public faith of a country in this respect; and that is, *to preserve the* STANDARD *of its currency immutable and inviolable.* I

have already shewn that the intention of the Act of 1797 was not to introduce, or authorize any variation of our *standard*. Practically, for a series of years, it had no such effect. Within a late period such an effect has been produced. The *standard* of our currency has been virtually altered; and *that*, which no legislature would advisedly have consented to do, or could have done without violating the obligations of justice, has been unadvisedly and innocently done by the Corporation of the Bank. Not that the Bank were aware that they were exercising, any more than the legislature had it in contemplation to transfer to them, any such power. Yet, it is obvious that while in principle and in law our *standard* remains the same, in practice and in effect it is lost. If a foreigner had at any time inquired what was the standard of our currency?—the answer at any period from the time of the TUDORS* downwards would have been, to refer him to the unvaried letter of the statute, as strictly executed in the regulations of our Mint. The answer to such a question must *now* be sought in the current price of bullion in the market, and in the discretion of the Bank.

* The last alteration in our standard was made in the 43d of ELIZ. when it was lowered between 3 and 4 per cent.

Admitting these evils, however, it may yet be said, that the restriction is but a *temporary* measure, which once removed, every thing will return to its proper level. True:—but, if it be much longer continued, what confusion and derangement must, in the mean time, ensue in all the transactions of society? True:—but the very evils which this measure has created, and which it alone keeps alive, are assigned as the reasons for continuing it, so long as they exist. True, again, it is, that this is a *temporary* measure*; and, out of this very circumstance grow

*I trust there is no doubt of this fact, but I am sorry to see that the Bank Proprietors (if their sentiments can be collected from the report of their proceedings at their last general meeting) entertain a different expectation.

An uninformed stranger, from reading the account of these proceedings, would be led to conclude, that the proposal of the Bullion Committee to allow the Bank two years to prepare for the resumption of cash payments, is a direct and gross infringement of their charter. It was condemned as a plan of *compulsion* and *injustice*. The Orator of the Bank, on that occasion, seemed to prefer even their dissolution, as a trading company, to this resumption of the functions for which they were originally instituted.—"Let Government (he is reported to have said) "pay us the 18 millions they "owe us, and we will make up the remaining two millions "by subscription among ourselves within an hour, so as im-"mediately to discharge all our notes."

most important considerations for those whose high office it is to administer justice in equity,

In reply to this lofty language, I would observe:—1st, that no one suspects the Bank of being insolvent, or of having made any advances without very good and ample security;—that no man has imputed the depreciation of their notes to any suspicion that their concerns as a Bank are not prosperous, and that their management for themselves is not extremely prudent;—2dly, that if the Bank Proprietors, as a body, should, after mature consideration, be disposed to petition Parliament for leave to surrender their charter, there would be no difficulty in finding other members of the community, who, upon a transfer to them of that charter, and the other advantages of the Bank, would be perfectly ready to make good any advances from the Bank to Government, and to take upon themselves the whole concern, without refusing to resume cash payments at the expiration of two years.—But I must add, that, while on the one hand, I should be very sorry to witness such a transfer, on the other, I have not the smallest apprehension that the Bank Proprietors, when they shall come to weigh the arguments of their learned advocate, will put it in the power of any other body of men to acquire the advantages which they now derive—1st, from the exclusive privileges of their charter;—2dly, from their being the agents of the state in all pecuniary matters;—3dly, from their being the Bank of deposit in which all the money arising from the receipt of the revenue, or issued for the expenditure of the state, is lodged.

With respect to the sum of 18 millions, which was said to be due by Government, it would have been well if, at the same time, that the aggregate was so ostentatiously announced, some of the heads of that debt had been stated. Such an ex-

and to whose care and custody are committed the protection and preservation of property belonging to the most helpless classes of society.

planation would have prevented many unfounded inferences, which, to the prejudice of Government, have been drawn from that statement in other quarters;—as if sacrifices to such an amount had, since the restriction, and in consequence of the facilities which it afforded, been made by the Bank to the Government.—On the contrary, I believe, there never was a period of war in which Government were less, or so little, indebted upon floating securities to the Bank as at the moment of Mr. RANDLE JACKSON'S assertion.

The first and largest *item* of which this sum of 18 million is made up, is the advance *originally* made by the Bank of their capital stock amounting to 11,686,000*l.*—3 per cents.: which advance has been carried on upon each successive renewal of their charter. This advance has no more connexion with the issues of the Bank than any other *three per cent. stock* which Mr. JACKSON, or any of the Proprietors may possess individually; or than the whole mass of the funded debt of the country. This stock, though ultimately liable for their engagements, is no part of the securities upon which their notes are issued; it is the *subscription* capital of the company, and the repayment of it is not due or *demandable*, till the expiration of the present charter in 1833.

The next sum consists of two advances, of three millions each: the first lent in 1800, for six years without interest, as the price of the last renewal of their charter; and continued, since the expiration of that period, at an interest of three per cent.:—the other advanced, without any interest, under an agreement with Government made in 1808. Both these

If the nature of our money be such as I have stated;—if the laws of England, by which its advances are in consideration of the profits accruing to the Bank; from the deposit of the publick balances in their hands. These deposits, it is quite obvious, have no connexion with the circulation of the Bank; and would be continued, to nearly the same amount, if that circulation were restored to its sound state. The average amount of these deposits exceeds *ten millions sterling*.

No part of this advance of six millions is *demandable* until six months after the termination of the war.

The difference between the amount of interest paid to the Bank on this advance, and the amount of legal interest at 5 per cent. on that sum, is correctly stated by Mr. JACKSON at 210,100*l*.—per annum.

Thus are 17,686,000*l*. out of the 18,000,000*l*.—so confidently, but prematurely, called for by Mr. JACKSON, disposed of.

The small remainder of any debt from the Government to the Bank consists, either of the ordinary annual advance on the land and malt, the repayment of which is amply secured by those taxes;—their weekly produce being appropriated for that purpose, until the whole advance of each year principal and interest is repaid—or of any advances which the Bank may have voluntarily made, by the purchase of Exchequer Bills, for the repayment of which, with interest, they have the same security, and are upon the same footing, as any individual who may purchase such bills in the market.

With respect to the sum of 210,000*l*. annually saved to the publick upon the advance of the *six millions*, made, as I have stated, in consideration of a deposit in the Bank amounting, upon a permanent average, to more than *ten millions*;—I must

*standard* is *fixed*, *guarded*, and *guaranteed*, have been correctly described by me; (and up-

be allowed to express my regret and surprise, that, at a general meeting of the Bank Proprietors, where the very Directors with whom the agreement for this advance had been so recently made on the part of the Bank, were probably present, (and surely the conditions and nature of such an agreement must be known to all the Directors) it should have been more than insinuated, without contradiction from any quarter, that this sacrifice of 210,000*l.*—per annum, is made by the Bank to Government, in consideration of the advantage which the Bank derives from the suspension of cash payments.—The words of Mr. JACKSON as stated in the report of his speech (Morning Chronicle, 21st September) are

"But when the Committee determined so earnestly to "recommend the resumption of cash payments, and a *compul-* "*sive* measure upon this institution, it would have been but "becoming in them to recommend, as a preliminary step, the "*repayment to the Bank of the* 18 *millions due from the pub-* "*lick, and also the restoration of the* 210,000*l. derived from* "*the Bank in consequence of the supposed advantages resulting* "*from the non-payment of cash.* This was a line of proceeding "which at least *common justice* should have urged the com- "mittee to propose."

Fortunately the correspondence on this subject between Government and the Bank in 1808 was laid before Parliament, and is published. By a reference to that correspondence, every one may satisfy himself that this sum is the price paid by the Bank for the use of the publick balances, and on no other account whatever: to which I may add, that it was the opinion of several persons in the House of Commons, and par-

on these points, so well understood, and so long settled, there can be no difference of opinion)—if it be of the essence of those laws, that every legal bargain for money can only be satisfied by the payment of the stipulated *quantity;* I cannot help suggesting a doubt, whether the many important pecuniary interests committed to the care of our Courts of Equity may not be wrongfully deteriorated by the continuance of the present state of our currency?—Whether, for instance, an old lease, at the rent of 1000 gui-

ticularly of the leading members of the Committee of Finance, in consequence of whose report this bargain was made; that the advance obtained from the Bank was not adequate to the advantages which they derived from the agreement.

Be that as it may, I must decidedly protest against the assertion that Government has, at any time, demanded or received from the Bank any participation in the profits which accrue to them from the suspension of cash payments. Every administration, I am sure, since 1797, will join me in repelling this insinuation; and in maintaining that, whatever measures Parliament may think proper to adopt, in consequence of the report of the Bullion Committee, their deliberations cannot be influenced or fettered by any direct agreement, or implied understanding, with respect to the continuance of the suspension. Nothing in fact has ever passed between Government and the Bank which can have the effect of preventing the Legislature from fixing the period for the resumption of cash payments, without reference to any other consideration than the interest and the safety of the country.

neas per annum, being virtually, though not in terms, a contract on the part of the lessee to pay in each year, at the very least, 266 oz. 13 dwts. 8 grs. of gold, (allowing each of these 1000 guineas to be of the lowest standard weight permitted by law) that contract can be equitably fulfilled by the payment of 220 ounces?—Whether even during the existence of this *temporary* restriction law;—which (be it always remembered) is to cease in six months after the termination of the war, and *must* be so construed and contemplated by every court, either of justice or equity,—1000 guineas, weighing any thing short of 266 ounces, would entitle the lessee to a discharge? By a *tender* of that which is equivalent only to 220 ounces, it is true, that he is now protected against the process of the court; but in *equity*, is he entitled to a discharge? Will he be entitled to it, next year, if that which he may tender should be equivalent to 20 ounces only? Will he be entitled to it the day after the signature of a peace, although it is admitted and notorious that six months after that day, the law would compel him to pay 266 ounces?

I know not whether, by possibility, any man can have reflected upon this subject so little, or to so little purpose, as to object to the doubts which I have now suggested—that they pro-

ceed on the supposition that it belongs to the province of courts of Equity to take care that the value of money should never be altered. Nothing so absurd ever entered my imagination. The value of the precious metals relatively to other commodities, *cannot* be fixed. It is subject to be affected by the same circumstances of abundance, scarcity, supply or demand, as affect the value of all other articles. That it has greatly decreased within the period which has elapsed since the discovery of America is notorious—that it continues to decrease slowly and progressively, I am also disposed to believe. This is an inconvenience, but is not an injustice, to a creditor. All that he has any right to expect, all that his contract *stipulates* and the law *guarantees*, is, that the *quantity* shall be the same: not that the value of that *quantity* shall continue invariably to bear a proportion relatively as favorable to that of other commodities. The reverse might have been the case: still he would have been entitled to the same *quantity*. True it is that the natural and progressive diminution of the value of money is peculiarly felt by that class of the community which depends for support upon fixed incomes; true it is that the unavoidable increase of taxation adds to this peculiar pressure. The

more incumbent is it upon the Legislature not to aggravate this pressure by prolonging a system, which in its effects greatly outsteps the natural course of events; and not to augment the amount of the necessary deductions from income, by one which adds nothing to the revenue of the state.

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One or two observations of those who maintain that there is nothing wrong in the present state of our currency remain to be noticed.

From the abettors of the present state of things, when they have been referred to the rapid rise in the price of all ordinary commodities as a *very strong indication* of the depreciation of our currency, I have often heard this answer,—"that this is sufficiently accounted for by the progressive diminution in the value of the precious metals;" that is—by their *increasing abundance*. When the same persons, in consequence of this answer, have been referred to the high price of these precious metals themselves, if purchased in our currency, as a *more certain and unequivocal* proof of its depreciation, their answer has been "that this is the natural effect of the *scarcity* of these metals."

But, because gold that can be sworn off for ex-

portation, is worth about 3*s.* per ounce more in our market, than gold, of the same fineness, which cannot be legally exported, an inference is drawn, that gold must be dearer abroad than in England, not only by this difference, but by all the expense of transporting it to the Continent; and that this circumstance accounts for its scarcity, and consequent high price here. This inference has already been so fully examined, and, I think, disposed of, in a former part of this Enquiry, that I shall, at present, content myself with offering what appears to me the real explanation of the fact with which it is here connected.

Since the Restriction Law, and the issuing of *one* and *two* pound notes, the quantity of gold coin in circulation has rapidly diminished; and, within these last two years, guineas have almost entirely disappeared. For some years, prior to the autumn of 1808, the price of standard gold was pretty steady at 4*l.* per oz. and this was the buying price at the Bank. Towards the end of that year, the price rose very rapidly, and has since continued, with trifling fluctuations, at about 4*l.* 10*s.* per ounce; the Bank declining however to offer more than 4*l.*

It is within this last period, principally, that the difference in price between gold that could

be sworn off for exportation, and that which was confined to the home market, has arisen.

Now, the demand for gold, like the demand for any other commodity, depends upon the consumption; and the price is regulated by the demand. The consumption in England, before the Restriction, was, either for the purposes of our manufactures, or for coin. The quantity used in the former was very inconsiderable, and probably still continues unaltered. The great demand was for the purpose of applying and keeping up a certain amount of gold currency; and the great purchasers were the Bank. This demand has altogether ceased; and the purchases of the Bank, for these last two years must have been suspended. The fact, I know, is not in evidence; but a comparison of prices sufficiently warrants the inference. Hence it appears, that the market of this country, for internal consumption, is fallen off almost to nothing, whilst the market of the continent remains just as brisk as before. The necessary result is, that whatever gold there may be in England, or may come to England in the course of trade, and which can be legally exported, goes to the better market. It possesses a *privilege* which the law has taken away from

other gold; and under the present circumstances, this *privilege* makes it more valuable. There is nothing surprising in this, any more than there would be to find that a better price was given for *exportable* coffee, for instance, if that privilege were given only to a certain limited quantity, and the remainder of the stock in hand were confined to the comparatively small consumption of this country.

The only way to stop this exportation of gold is that the Bank should give the market price, and revive the use of it in circulation. If that price be 90*s.* per ounce, 90*s.* must be given: but, in proportion as the value of their notes in circulation shall be raised by the gradual withdrawing of the present excess, that price will diminish, until it shall be restored to the Mint price, and their notes consequently to PAR. On the other hand, if the excess of Bank paper shall continue progressively to increase, 90*s.* will soon cease to be a sufficient price for an ounce of gold: and either more must be given; or it will continue to be carried to other markets.

The difference between the market and the Mint price, it is true, will be just so much loss to the Bank upon all the gold which they may

now buy, whenever they shall resume cash payments: but it is equally true, that this difference is at this moment, just so much loss to the holders of their notes, and that the latter have no chance of that compensation which the Bank has so amply secured to itself, by the increased amount of its issues since the Restriction.

It is, therefore, because the use of gold has been superseded by the present state of our currency, whilst the over-issue of that currency has diminished its relative value; and because the Bank of England, not making a sufficient allowance for that diminished value, has ceased to offer the market price, that *exportable* gold is of more value than that which cannot legally be sent out of the country.

If the law which prohibits the melting of our gold coin, and its exportation, either as coin or in bars, could be much enforced, the difference of price would be greater than it now is; but every one knows how easily both these provisions are evaded; and how impossible it is to make them effectual. I have therefore no doubt that there has been sent to the continent within these last two years, partly in bars, and partly in coin, a considerable quantity of gold not exportable by law; which would have remained in England, if the Bank Directors had raised their

buying price in proportion as the value of their paper was depreciated*.

* Any Bank of which the profits are proportionate to the amount of its issues, and which has nothing to consider, in making those issues, but the quality and character of the securities upon which its loans are advanced, must have a natural tendency to a continual increase of its paper. It appears to me, therefore, extremely probable, that, for some considerable time before the depreciation of our paper currency was materially marked by the high price of gold bullion, the amount of Bank issues was in excess. But the full effect of this excess was not so sensibly felt, because, so long as our currency consisted of a mixture of gold and paper, the former would give way, and either be exported, or melted down—and by thus gradually making room for the augmentation of paper, the value of the latter would be, in a great degree, sustained.—But, when, by these successive additions to the amount of Bank of England and country paper, nearly the whole of the gold had been shoved out of circulation, whilst the same disposition and motives to increase the issues of paper still continued, the effect of any such further increase would be more rapidly and seriously felt in the diminished value of our remaining currency. By an unfortunate coincidence of circumstances, a disposition to apply for a great increase of discounts was excited in the mercantile world, much about the same time when the greatest part of our gold had already been driven away; and the facility with which these discounts were effected, must have contributed, in this state of things, to accelerate the depreciation of our currency.

I cannot help observing, on this occasion, that I have lately seen, with regret, that an issue of seven-shilling pieces (I hope

But the Bank, I may be told, could not buy guineas for more than 21*s.* each. Be it so: but it might have given 4*l.* 10*s.* for gold in bars: and, if this had been the Bank price, the guineas

to a very limited amount) has been made by the Bank. Such issues of coin can answer no good purpose, so long as the value of their paper is kept materially below PAR: for it is impossible that gold should continue in circulation, and, the quantity of it remaining in the hands of the Bank is thus fruitlessly diminished.

The stamped dollars, though issued at five shillings each, which is somewhat more than their value at the present price of silver, will in like manner, (as indeed they do every day) though from a different reason, disappear. I say from a different reason, because it is true that for a one-pound note you may purchase more silver bullion than is contained in four stamped dollars. But each of these dollars, now worth about 4*s.* 9*d.* is a substitute in circulation for five shillings of our silver coin, worth upon an average about 3*s.*—Any man, therefore, who exchanges five of these shillings for a dollar, gains about sixty *per cent.*—The profit on the purchase of silver bullion would be somewhat greater; but the dollar is preferred, because it is in the way of the shillings which would otherwise in a great degree soon cease to be current in circulation. This is no imaginary case, but a practice which, more or less, is going on every day.—So long as our silver currency shall be suffered to continue in its present state, the industry and ingenuity of individuals, however restrained by law, will not be wanting to keep up and supply its circulation. This debased currency will drive away any other which, under the same denomination, possesses a much greater intrinsick value, just as our paper drives away the gold.

which have now gone abroad, either in bars, or in coin, (the latter to be melted abroad,) would have found their way, as bars, to the cellars of the Bank.

This is precisely what happened before the Restriction Law, whenever, from a temporary over-issue of paper, (to which the Bank, from the nature of its institution, must be ever prone,) the market price of gold was raised, for a short time, above the Mint price. Guineas, notwithstanding the law, were immediately melted, and the bars sold to the Bank at the advanced price: whilst other guineas were demanded from them, which were melted in their turn, if the difference of price lasted so long; giving to the melter a profit equal to that difference, and to the Bank a warning to reduce the amount of their paper*. Thus the gold coin did not go abroad, and though small quantities of it were occasionally melted down, no scarcity of coin was ever felt for any length of time.

Much less would it have gone abroad within these two last years, if the demand and use for gold in this country had continued the same; or if the Bank price had at all corresponded to the

* On this subject the reader is referred to Mr. THORNTON's "*Essay on Paper Credit.*" Page 125, &c.

market price: for it appears, by the evidence annexed to the report of the Bullion Committee, that, owing to political circumstances, the expense and risk of transporting gold to the Continent have been more than double what they were before the year 1797; and it must be obvious that any increased charge, in this respect, operates as a tax to discourage exportation *.

For these two last years, therefore, if the restriction law had not been in force, we should have had a greater security against our coin being exported, than at any former period: but, owing to that law, and to the consequent conduct of the Bank, a certain exportation has taken place, and will be continued, more or less, so long as the same circumstances shall continue, in spite of those laws, by which we in vain en-

* Owing to a great proportion of our guineas being locked up in the Bank, or hoarded by individuals; to the difficulty of collecting such as are still in circulation; to the expence, probably, of purchasing them at a premium, and the charge and risk of sending them abroad; the whole quantity of our gold exported has not, I conceive, been very large, and certainly not to such an amount as there would be any difficulty in replacing by purchases in the market here, or in the foreign markets which are open to us. I should very much doubt whether the quantity of gold which has been exported, by an evasion of the law, can exceed from two to three millions sterling.

deavour to restrain it. Those laws, indeed, it might be easily shewn, would be prejudicial to the publick interest, if they could be made effectual. Failing in their object, they are still highly objectionable, as holding out a strong temptation to perjury. On this ground alone, their repeal would be desirable. They are inconsistent with the true principles of commerce, and with the long established policy of the most enlightened commercial states of Europe*;—states, whose currency, amidst all the political calamities, and military exactions, to which they have been subject, for the last fifteen years, has suffered no debasement, nor ever made way for a system of paper currency, not convertible into specie at the option of the holder. Respecting these laws, all that I have further to observe, at present, is, that, however desirable it may be that the gold coin, which has been exported within these last two years, had been kept at home by a different system of policy; the eagerness for enforcing those laws, recently manifested by the very persons, who see, in the

* Such as Holland and Hamburgh. A similar policy prevails in the United States of America; whilst Spain and Portugal, who possess the mines from which the precious metals are drawn, have always endeavoured by the severest penalties, and always in vain, to prevent their being exported.

present system of our currency, nothing but sound wisdom and national advantage, appears peculiarly whimsical and absurd. Under this system, gold, a commodity of universal value, and of which we formerly possessed a great deal, ceases to be of use here, except to a very limited amount. Yet, in proportion as the system, which they applaud, becomes every day more complete, do they feel a perverse, but unavailing anxiety to keep at home so much dead and unproductive capital, instead of allowing it to be exchanged abroad for other commodities, for which there is a beneficial use and demand in this country.

So long as the present system is persevered in, there can be very little doubt but that the quantity of our gold coin will rather diminish, and that the small amount which still remains in circulation, if not hoarded, will be exported. Fortunately, there is quite as little doubt that, whenever, by the termination of this system, gold shall become again, in *fact*, what it is now in *law—the foundation and standard of our currency*, it will again make its appearance; and that when we shall have a use for it, we shall be at no loss to procure a supply adequate to the demand.

Bullion is a commodity for which we must

pay, as we do for any other which we want. But, for the same reason that, of all articles of trade, it is that which it is the most difficult for us to keep at home by any operation of law, now that it is not in demand; so would it be that which it would be impossible for the intervention of foreign powers to prevent us from importing, in proportion to the use and demand which we might have for it here. If a supply be necessary for our circulation, it must be procured, and may be procured, by an exchange of other commodities which we can spare, just in the same way as hemp, for instance, an article of which it is at least as much the interest of our enemies to intercept the supply. But, in as much as gold in the state of coin is so much capital engaged in an unproductive though necessary employment, it cannot be the wish of any man, conversant with this subject, to proscribe the circulation of paper, or not to allow and even countenance it to the fullest extent; only taking care that all such circulation should be concurrent with the standard coin of the realm, and that such paper should be kept invariably at PAR, by being constantly exchangeable for that coin at the option of the holder.

It will be objected to me, perhaps, that, in this argument, I appear to have assumed that guineas were proscribed and excluded from circulation; whereas, they are still current at their standard price. This objection naturally brings me to the other main defence of those who stand up for the undiminished value of Bank notes; namely, "that commodities have but "one price, whether paid for in gold, or Bank "paper; and, consequently, that the latter can- "not be depreciated."

This argument is altogether fallacious: whilst the fact on which it is founded affords the real explanation of the disappearance of our gold.—That our gold coin is not cried down and prohibited, is unquestionably true: and that the value of the gold contained in a guinea, in its state of coin, and when used as currency, is only $\frac{1}{20}$ more than that of a pound note, is not denied.—But then the question is this—Is Bank paper or gold our *standard?* If paper, then the value of a guinea ought to be measured by *it;* and the *denomination* of the guinea being fixed by law at only one shilling more than a pound note, its value can only be $\frac{1}{20}$ more than that of the note, be the latter worth what it may. —If gold, as I contend, and as I have been all along contending, then a one-pound note

ought to be exchangeable for $\frac{20}{21}$ parts of the *quantity* of gold contained in a guinea.—That it is not so exchangeable, is undisputed.—That, measured by this standard, Bank paper is depreciated, is undeniable: and it is only by making that paper a nominal standard, under the protection of law, that the value of coin exchanged for commodities, in the ordinary dealings of the community, becomes referable to this fictitious standard. The consequence is, that our coin is depreciated as *currency* to a level with the paper with which it circulates;—that twenty guineas, for instance, circulating upon this footing, lose as *currency* the value of all the gold which they contain above the quantity which might be purchased in the market by twenty-one Bank notes of one pound each*.

* The very able and elaborate essay of Mr. THORNTON "On the Nature and Effects of Paper Credit," was published in 1802.

In this work, to which I have already had occasion to refer, the reader will find the true principles of political economy united with the practical, I might almost say hereditary, knowledge of a well informed merchant, and the extensive experience of a great London banker. In applying these principles to the actual state of our circulation in 1802, Mr. THORNTON was led to the satisfactory conclusion, that, from the date of the restriction up to that period, our currency had not been materially depreciated; perhaps not at all. This

No wonder then that guineas cannot be retained in circulation. By melting down, or by

was the fair deduction from the facts to which his principles were then applied. From the application of the same principles to a different state of facts, such as were, at that time, matter of supposition only, the depreciation of our currency, it was shewn by Mr. THORNTON, would be the necessary inference. The case which he then supposed, is now realized in all its parts. Every argument by which he proved in 1802 that our paper was not more than *sufficient*, equally proves its *excess* in 1810. But Mr. THORNTON did not even stop here. In 1802, he appears almost to have foreseen and anticipated some of the leading objections which would be set up against his conclusions in 1810:—this in particular:—that the deterioration of our gold coin to the level of the depreciation of our paper, would be confidently offered as a proof that the latter was not depreciated. His words are these:—"*Our coin itself when paper is depreciated, passes not "for what the gold in it is worth, but at the paper price, though "this is not generally observed to be the case. It is the mainte-"nance of our general exchanges, or, in other words, it is the "agreement of the Mint price with the bullion price of gold, "which seems to be the true proof that the circulating paper is "not depreciated.*"

It is highly fortunate for the country at this moment, that the Bullion Committee had the benefit of Mr. THORNTON'S most active assistance, and not less so, that the legislature possesses in him, not only a member unconnected with party, but one intimately acquainted with the whole business of banking, with all the details of commercial credit, and all the bearings of our money system.

exportation, the gold they contain is restored to its intrinsick value, and relieved from the depreciation attached to it by law in its state of currency.

Laws, however severe, cannot alter the inherent and essential qualities, which determine the relations of value. They may, indeed, impose the same *denomination* upon values essentially different, but the difference will not be the less perceived; for no restraint upon human actions can permanently or effectually countervail the nature of things. When, therefore, the currency of a country consists, partly of gold of standard weight, and the remainder of a paper currency, in *fact* depreciated, but clothed by *law* with the character of a *legal tender*, the *denomination* fixed for such paper currency being the same as for the coin, the latter will have an irresistible tendency to escape from the depreciation in which it is by law retained, so long as it continues in the character of coin; and, either

The practical use of such knowledge in publick life cannot be more forcibly illustrated than by stating, that the country is already indebted to Mr. THORNTON for the suggestions contained in the second report of the Committee of Finance respecting the Bank. The consequence of those suggestions has been a saving to the publick exceeding 250,000*l.* per annum.

by melting or exportation, it will recover its intrinsick value.

This doctrine will, perhaps, be best illustrated by reference to a remarkable period of our history, and to the proceedings of the English Parliament at a period to which, by common consent, Englishmen look back as a time when the theory of our government, in all its parts, was best understood, and the principles of justice and good faith, on which all free governments must rest, were most scrupulously practised:—a period illustrated by great names, both in the science and in the practice of politicks, and which has this further recommendation to our attention, that it resembles our own times in one striking particular,—that of having been distinguished by a most anxious and energetick struggle for our independent existence, against the power and pretensions of France. I refer to the reign of King WILLIAM.

Towards the end of the 17th century, the current coin of this country had been reduced, by clipping and other practices, about 30 per cent. below the standard of the Mint. At that time, the pieces, new from the Mint, had no more value *as currency* than this debased coin: though no man, I apprehend, could now by any sophistry, however ingenious, convince, either

himself or his neighbour, that the latter was really of the same value as the former. One consequence was, that the pieces of full weight disappeared as fast as they were issued, just as our guineas *now* disappear; another, that the exchange was permanently from 20 to 30 per cent. against this country, as it is *now* from 15 to 20; a third, that guineas (silver* being the then *legal tender*, and the silver coin that which was debased) rose to 30 shillings each, as they have *now* risen to upwards of 24, measured in our new *legal tender* Bank paper: and a fourth, that silver

* For an account of the circumstances which, in the course of the last century, gradually led to the substitution of gold for silver, as the sole *legal standard and tender*, I beg leave to refer the reader to the very clear and satisfactory treatise on our coin, contained in a letter from the late Earl of LIVERPOOL to the King. But this substitution, however produced, has taken place without any alteration in the *weight* or *fineness* of either of the precious metals in our respective coins, and, consequently, without creating any difference in their relative value to each other, as fixed by law, and the long established regulations of our Mint. It is obvious therefore, from this statement, as well as from the facts I have already mentioned, respecting the market price of silver, that the change in *our legal tender* has nothing to do with the depreciation of our paper; and that, under the like circumstances of excess in the amount of Bank issues, that depreciation would have been just the same, if no such change had occurred.

which could be sworn off for exportation was, as *exportable* gold is now, at a premium.

But how little do nations profit by experience! The same fallacious explanations which are *now* given, were then offered to the publick. The same delusive plans of relief were suggested—The *Balance of Trade* or the *Balance of Payments* were said to be against us. To this was attributed the unfavourable course of exchange: to the unfavourable course of exchange, the exportation and melting down of the *standard coin*, and the high price of bullion at home. The remedy proposed was, in the language of the day, "*to raise the value of our money*," with a reference to the scarcity, and consequent high price of bullion: and the specifick plan suggested was, to coin an ounce of silver into 6*s.* 3*d.* instead of 5*s.* 2*d.* These doctrines and this plan were supported by official characters of the greatest reputation and practical knowledge, and by persons of the most extensive experience in trade. Fortunately, the fallacy of them was detected and exposed, and the Government of that day was rescued from the adoption of a pretended remedy, which would have perpetuated the injustice, and aggravated the calamities

for which it was confidently offered as a cure*.

The present state of our currency is, in its principle, and in its consequences, precisely the same as the case which I have now described. The effect is the same, whether the currency of any country being wholly metallick, consists in part of a coin, of full standard weight, and in part of a coin, which under the same *denomination*, should be materially deteriorated either in *weight* or *fineness*;—or in part of coin of the former description, and in part of a depreciated paper, discharging the functions of money in the same manner, with the same *denomination*, and under the same authority of law, as the light coin.

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It being then, as I conceive, placed beyond all doubt that our paper currency is depreciated;

* I would earnestly wish to recommend to my readers to look at the writings of Mr. Locke on this subject.—The arguments by which that great man was enabled to convince Lord Somers of the real nature of the evil, are worthy of their attention. The sanction of two such names, and of the Parliament of 1695, which had the wisdom and firmness to adopt their advice, in spite of all the interested misrepresentations of that period, will shew that the doctrines which I have attempted to establish cannot fairly be considered as either new or dangerous.

that its depreciation is to be ascribed altogether to an excess* in the issue of that paper, and that

* It can scarcely be necessary to protest against any idea of the depreciation being, in any degree, to be ascribed to a want of confidence in the solidity of the Bank. A corporation originally possessed of a great capital, since increased by immense profits, which never makes an advance but upon the best securities, and which might call in the whole of those advances within three months, can never be exposed to any such suspicion.

*Paper* MONEY issued in the name of the State, in aid of its own Exchequer, and in compulsory payment of its expenses, such as has been resorted to in various parts of the world, is happily unknown to this country. Such paper is in the nature of a *forced loan*, which, in itself, implies a want of credit. From this circumstance alone, it falls below PAR; and its first depreciation is soon accelerated by the necessity of augmenting the issues in proportion to their diminished value. Thus an excess of paper co-operates with publick mistrust, to augment its depreciation. Such was the fate of the paper issued by the American Congress in the war for their independence; more recently of the *assignats* in France: and such is now the state of the paper of the Banks of Vienna and Petersburgh. Whereas, the state of our currency, in regard to its diminished value, is no other than it would be if our present circulation, being retained to the same amount, were, by some sudden spell, all changed to gold, and, by another spell, not less surprising, such part of that gold, as, by its excess, created a proportionate diminution in its value here, with reference to its value in other countries, could not, by exportation or otherwise, find its way out of our separate circulation. It is excess not relievable by exportation.

without the restriction law no such excess could have existed, or at least have been permanently maintained; it follows, that the repeal of that temporary law is the obvious remedy for this evil. The precautions which it may be necessary to observe in removing that restriction, and the precise period when it ought to cease, are points upon which it would ill become me to anticipate the decision of Parliament.

I shall content myself with offering a few observations on the practicability of the measure, and with noticing such objections as have either occurred, or been suggested to me.

In considering the great and general importance to the whole country of reverting as soon as possible to the former system of cash payments, it must be recollected that there are two parties more nearly and particularly concerned in the present discussion, namely—the Bank, and the commercial interest.

With respect to the former, it may perhaps be inconsiderately supposed, that, in case any specifick, though remote, period should be fixed for the termination of the restriction, the interests of that corporation would lead the Directors, within the shortest possible time after the passing of a law for that purpose, to reduce the amount of their issues, until their notes should

have been so raised in value, as to enable them to purchase Gold at a price not exceeding that of the Mint. Unquestionably it is in their power to effect such a diminution very rapidly. If the separate advantages of any part of the community could, in a matter of this importance, be held distinct from that interest which must be common to all, in guarding against any general pressure of publick distress, those classes who suffer most by the depreciation, without deriving, even indirectly, any profit from it, and not the Bank, would be most benefited by their pursuing this line of conduct. It is true, however, that, neither the great profits which the Proprietors of Bank stock have derived from the restriction, nor any circumstances by which they stand connected with the Government, or the trade of the country, would, of themselves, entitle the publick to expect that the Directors should make any positive and considerable sacrifice of the interests of their constituents. But how far would this be the case, should they pursue a more moderate course? I assume that, in the event of a period for the opening being fixed, the Bank would find it necessary to buy gold. In order to purchase it they would be obliged to give the market price; and I admit that the differ-

ence between that price and that ~~of the~~ Mint would, ultimately, be so much loss to the Bank. But then, independently of the profits which they have made of late years by an enlarged circulation, unattended with any sacrifice for the purchase of gold; it is obvious, that, in whatever proportion above the Mint price their future purchases might be made, in the same proportion must their issues, bearing interest, be above the amount which ought to be in circulation, or which, in fact, they would be able to maintain in circulation, if the restriction did not exist. Suppose one million in gold to be bought at an average of *ten* per cent. above the Mint price, in the course of the first year after the Bank shall have received notice of a definite period for the resumption of cash payments:— if, during that year, the Bank should have in circulation, upon an average, two millions of paper, beyond the proportion, which, but for the restriction, it would have been able to issue, the immediate and accruing profit from the interest on the latter sum, would be exactly equal to the contingent loss upon the purchase of the gold, when cash payments should be resumed.

Without, therefore, exposing the Proprietors of Bank stock to any material loss, or probably to any loss at all, the Directors may effect a re-

duction in their issues, gradually and slowly, by apportioning that reduction over nearly the whole time which the law may assign to them to prepare for the opening. In the same manner they may, during the whole of that period, and without forcing the market, be adding to their stock of gold, of which the nominal price would continue to fall, in proportion as the amount of their notes was brought nearer to its proper level. This balance of profit, from excess of issues on the one side, and of loss upon their purchases of gold on the other, fluctuating, perhaps, in a trifling amount one way or the other, would of course cease altogether, so soon as the paper should be restored to the value it purports to represent.

The Bank, therefore, as a trading company, would have very little, or perhaps no inducement to make a sudden and violent reduction of its issues; such as might derange prices, and distress trade, or operate to the prejudice of the fair credit and legitimate dealings of the community. In all the other relations of life and public duty in which the Directors stand,—as merchants of the first eminence,—as men attached to the prosperity of their country, and studious to preserve that high estimation in which they are justly and universally held, they

would find the most powerful motives for adopting a moderate and cautious line of conduct, in the reduction of their issues.

It will not escape the reader, that, in the view which I have taken of the mode in which the interests of the Bank would be affected by the necessity of purchasing gold under the present circumstances, the argument by which I have endeavoured to shew that it would be attended with no real sacrifice, is derived, not from a comparison with their present situation and advantages, but of what their situation and advantages would have been, from the circulation which they would now have been able to maintain, if no interruption had taken place in their cash payments. This, and not their present scale of profits, it must be obvious, is the fair comparison. These profits are increased, not only by an amount of issues carried beyond its proper limits; but by the Bank being relieved altogether from the necessity of purchasing gold in proportion to that circulation, or indeed of purchasing any gold at all *.

* Although the measure of the loss be different, in principle, and in degree, it is as much a diminution of profit to the Bank, to purchase gold at £3 17*s.* 10½*d.* as at £4 10*s.* or any other price. The notes issued for such purchases are the only part of their circulation from which they derive no profit. All

"Another difficulty may be started against the proposal for fixing a period, however distant, for the resumption of cash payments, namely—that the Directors of the Bank, notwithstanding any

their other issues are upon securities bearing interest. As a Bank, therefore, their policy, at all times, must be that the proportion of their notes issued for the former purpose should be as small, and for the latter as large as possible. Still better for them, if this buying of gold can be dispensed with altogether. This last advantage appears to be ensured to the Bank, so long as, by an excess of circulation, the market price of gold shall be higher than £4 per ounce, which the Directors have fixed upon for their buying price. By every addition to their circulation, therefore, they not only secure to the Proprietors of Bank stock an augmentation of profit proportionate to the increase of that circulation; they also effectually guard against any drawback to that profit, by permanently maintaining the price of gold above £4 per ounce. This course of proceeding is, at once, so ingenious and so simple, in its operation so effectual, and in its application so completely in the power of those who are exclusively benefited by it, so long as the restriction law shall continue, that it is not very surprising that the Proprietors of Bank stock should be disposed to resist any suggestion which touches that law; and to prefer the *sound discretion* of the Directors, unfettered by the controul of cash payments.

Every one must be aware how very near this state of things, now openly avowed as a system, and almost claimed as a right, comes to a state of *paper* MONEY, according to the definition which has been given of *paper money*. It is paper rendered current by the authority, though not issued for the benefit of the State. It consists of loans advanced at interest: that interest being altogether for the benefit of the corpo-

decision of Parliament, may increase the amount of their paper, or, at least, may not so reduce that amount, as to be prepared for the opening, when the time that may be fixed for it shall

ration of the Bank. I may be told however that there is no resemblance between Bank notes and *paper money*, because these notes circulate entirely upon *confidence*. To which I answer, that the law, which virtually makes Bank paper a *legal tender*, as much *forces* it into circulation in this country as *paper money* could be *forced* in any other country, by any law, which might, in the most direct terms, make the paper of such a country a *legal tender*. Whether the government first originate the paper money in payment of its own creditors, and *compel* all other persons to receive it from them; or whether it authorize a Bank to advance loans of such money for its own profit, and *compel* all other persons to receive it from those who obtain such advances, there is no difference as to the degree of *compulsion*. I may add, that, in both cases, such paper will be received in the purchase of all commodities by a reference to the price of the precious metals in that paper; and consequently that the principle which determines the current value of Bank notes and of *paper money* respectively, is the same. *Confidence*, in the sense in which it is here used, is only the measure of that value.

I have thought it necessary to state thus much, because the assertion, "that a Bank note is never forced into circulation," is constantly put forward as an irrefragable proof that those notes cannot be depreciated. May I be allowed to ask, whether the Bank do not pay the publick dividends, and whether, under the law for raising the Property Tax, they do not pay them at the rate of eighteen shillings for every twenty shillings stipulated for in the contract? What would be thought

arrive: and that, by this expedient, they might compel Parliament to grant them a further term in the restriction.

That any provision which Parliament can make for terminating the restriction will be so far incomplete, that it will not necessarily carry along with it the means of enforcing its own object, is certainly true. This objection, however, to the specifick period sug-

of the logick of any man who should tell the public creditor, that he is not compelled to take eighteen shillings in the pound, because he is at liberty to abstain from receiving his dividend at all?—But if he does receive his dividend, he is compellable to leave two shillings in the pound, or *ten* per cent. in the hands of the Bank, in trust for the use of the State.—He is equally compelled to receive the remaining eighteen shillings in Bank paper, subject, however, to the same option of not receiving them at all. A payment in such paper is, at this moment, a virtual deduction from his dividend of three shillings more, or of 15 per cent.; just as much a real and a *forced* deduction, as if it were made directly from eighteen shillings of *standard* money, under all the powers and penalties of the Property Act. The public creditor, therefore, receives fifteen shillings in the pound of *standard sterling money* and no more. If the Bank of England were, to-morrow, to issue such an amount of notes as would reduce the *paper pound* in value to one shillingsworth of gold, every man would be *compelled*, just as much as he is *now*, when it is still worth seventeen shillings, to receive those paper pounds for twenty shillings each.

Preposterous as this extreme case may appear, there is no security, as the law now stands, against such an issue, except in the *discretion* of the Bank.

gested by the Bullion Committee, would equally apply to any other proposal founded on the principle of assigning some fixed determination to the operation of the restriction law. But this difficulty, like that which would arise from an over-rapid diminution of Bank paper, rests on a supposition possible certainly, but most improbable. They are both extreme cases.—Neither of them stated, nor contemplated, by those who concur in the principles and suggestions of the Report: though intimated in language too plain to be misunderstood, by those who profess themselves most anxious to prevent any change in the present system. As far as these insinuations affect the character of the Bank, they may do mischief, as coming from persons professing to be friendly to that institution. The conduct of the Directors, under whatever arrangement may be finally adopted by the wisdom of Parliament, will, I am confident, fully shew that all such insinuations are entirely unfounded.

With respect to the manner in which our trade may be affected by the resumption of cash payments, no argument has been offered to shew, and no statement, I am persuaded, can be produced to prove, that any serious difficulty or pressure is likely to arise, if the excess of our circulation shall be withdrawn in that gradual,

cautious, and almost imperceptible manner, in which this change may be effected, in case two years shall be allowed for the purpose. This, beside, is a period within which every adventure now pending will probably be completed, and every credit now outstanding brought to maturity. Every merchant, consequently, will have ample notice, and full time to regulate his dealings, and to bring his affairs within such a compass, compared to his capital and state of credit, as he may think prudent and necessary. No one will be taken by surprise.—There will be no sudden fall in the price of goods;—no rapid fluctuations in the markets.—Our currency, I am sanguine enough to hope, may be brought back to its sound state, if not altogether without difficulty in some quarters, at least with much less difficulty than has been experienced, within these few last months, from the consequences of the speculation and over-trading, created and fostered by the excess of that currency.

Some persons, wholly unacquainted with the nature of commerce, or with any of the details and bearings of the subject, I am told, dismiss the Bullion Report with a short remark, "that it recommends what is impossible:—for that gold cannot be procured." To this, I think, I have already given a sufficient answer, unless the

principles which regulate the purchase and sale of the precious metals are now become altogether different from those which have hitherto applied invariably to all commodities which can be the objects of barter. I may, however, further observe, that gold does not form the basis of the currency of any other country;—that the quantity of gold in Europe is not less now, and is probably greater, than it was at any former period; that the *price has not risen on the continent*;—that it is to be purchased in the markets there; in the markets of Africa and America; in our own market. If, in these markets, the Bank will buy progressively, and, through proper agents, whatever gold bullion may be obtained without raising the price against itself, a very large quantity may be procured in two years, and, upon the whole, at a fair price. But then, in order to ascertain what is a *fair price* for *gold*, we must take its relative value * to *silver* such as it now exists.

It is no secret, that the Bank, soon after the Restriction, bought and imported a very con-

* Supposing that value, as it appears by the evidence of Mr. GREFULHE and others, to be on the continent 15½ to one: then 15½ ounces of silver are equal to £3 17*s*. 10½*d*. or to an ounce of gold. In Bank paper 15½ ounces of standard silver, at the present market price, which is about 5*s*. 10½*d*. per ounce, cannot be purchased for less than 91 shillings.

siderable supply of gold. It has since issued very little. To these facts, I may add my confident opinion, (though this of course can be only matter of opinion) that it is, therefore, actually possessed of a large stock of gold. This stock, even without any addition, would, of course, be brought nearer to the proportion which it ought to bear to the amount of notes issued, as the latter is gradually diminished.

A great quantity of gold, which is now hoarded, would also make its appearance, if guineas were restored to their use and value as currency. In this respect, the country is in the same situation as it was in King WILLIAM's time, when our metallic currency was so much depreciated. Before the determination to restore that currency to its standard, pieces of full weight were as scarce as guineas are *now*; but when that determination was taken and carried into effect, a great quantity of good money, which had been hoarded, was brought back into circulation.

In opposition to all these grounds of confidence, that the difficulty of resuming cash payments will not be so great as is generally imagined, it has been stated, that the increase of our commerce and of our revenue requires a vast increase of currency.

It might easily be shewn, indeed it is obvious,

that in a country at once rich and free, in which, from these advantages, joined to the long enjoyment of publick tranquillity, *credit*, either verbal or written, transferable or dormant, is extended to all the transactions of society, operations to a much greater amount may be carried on with a proportion of currency which would be altogether insufficient for the same operations in another country, not possessing these benefits, or in which they might be less firmly established, or less amply enjoyed. In this country, where they are all united in the highest degree, the ingenuity of individuals, especially of our merchants and bankers, is constantly at work, to devise new means of substituting credit for the actual intervention of money, and to find fresh expedients, either to supply its place, or to economize the use of it, in their dealings with one another. If this were a proper occasion for such a detail, it might easily be shewn, that in this way, many improvements have been made, of late years, in the mode of carrying on the banking and commercial concerns of the metropolis, all tending to introduce a greater economy in the use of money. The quantity of currency, therefore, requisite for the purpose of exchanging and distributing the commodities of a country, is not to be measured by the extent of its wealth and commerce, compared with the

wealth and commerce of other countries, or with its own, at former periods. Neither is that quantity to be measured by the publick revenue. In proof of this assertion, as applicable to the present state of this country, it is not necessary to go into a minute statement of the course of proceeding at the Exchequer, although it is by such a detail that the proof would be most completely established. It is sufficient to state, that in the evening of each day, the whole receipt of the revenue within that day, is carried to the Bank; and that from the Bank the whole amount of such receipt may be, and probably is, sent into circulation again on the following day, in the discount of commercial or Government securities. If the daily receipt of the Exchequer be, upon an average, increased from twenty to one hundred thousand pounds, it by no means follows that any thing like a proportionate increase, or indeed that any very considerable increase in the whole amount of the circulation would be requisite, in consequence of this increase in the revenue. Did any man before the Restriction, ever dream of inquiring into the numerical amount of Bank issues, and of regulating and adjusting that amount by the quarterly account of the Consolidated Fund, or by the annual return of our

Imports and Exports? What is the link which connects the value of paper, regulated in its amount by some such numerical scale, with that of the precious metals? By what standard of value is that scale to be increased or diminished? Is that standard to be sought for in artificial checks and banking regulations—*bye*-laws of the Bank Corporation, made not for the object of restraining their loans, but for their own protection against the risk of insolvency in those to whom such loans are advanced?

But even if it were admitted that a much greater numerical amount of money is necessary in consequence of the increased revenue and commerce of the country, it by no means follows that this augmentation would require to be made in the metallick part of our currency. Circulating credit, either in the shape of Bank notes, or in some other description of security, will always be preferred to coin in all the large operations of trade. For all considerable payments, paper possesses many obvious advantages over metallick currency. In other respects it is also more convenient. The actual holder of a note, convertible at will into cash, knows that the guineas which that note represents, and which it can always command, are not liable to be under weight, or to become so by wear in

his possession; while every person who may receive that note in succession, equally knows that, without the trouble of weighing, or the risk of deception, it conveys the same title to him.

The Bullion Committee proposes that the small notes of the Bank of England should not be withdrawn till a certain period after the resumption of cash payments. If this precaution should be adopted, I have no doubt that many of those small notes will continue to circulate till the end of that period, from the preference, which, in many instances, will be given to them over gold *.

It has been suggested, as another objection, against terminating the Restriction law, that a state of circumstances might, by possibility, arise, in which it might be proper to re-enact that law.

I admit that it is possible, in the present extraordinary state of the world, that, in the course

* The withdrawing of the small notes is a measure suggested by considerations of publick expediency which ought to outweigh perhaps the economical advantages which the country derives from the use of them. It is not necessary at present to examine the question in this comparative view, although I own that I very much doubt whether country Banks ought not to be allowed to issue notes as low as two pounds.

of events, a recurrence of similar circumstances, of general alarm, commercial pressure, and stagnation of individual credit, such as existed in 1797, may, at some future period, again compel the Government of this country to afford to the Bank a temporary protection against the demands which may be made upon it for gold. For it must be obvious, that no Bank, however cautious and prudent, can possibly exist, either with advantage to itself, or to the country, unless its circulation of Paper, upon an average, shall considerably exceed the amounts of its deposits, in cash or bullion, for meeting the possible demands that may be made upon it. The consequences of sudden publick alarm cannot be measured. They baffle all ordinary calculation. Cash is then withdrawn, not because the circulation is excessive, but by the country Banks and the town Bankers, for the purpose of meeting possible demands upon them, and by the community at large, either directly from the Bank, or indirectly through the former channels, for the purpose of hoarding, from the dread of some imaginary or contingent danger. In such a crisis, every reduction in the amount of Bank paper, is so far from checking the drain, that it aggravates the general distress; because the gold which is taken

out of the Bank, instead of being substituted in circulation for the notes withdrawn from it, is for the most part locked up, and thus, in proportion as the stagnant and straightened circulation wants life and aid, it becomes every day more embarrassed, whilst each new calamity produced by such a state of things, contributes to spread and increase the general apprehension. It is therefore manifest, that by a possible combination of circumstances, the Bank might be driven to part with its last guinea, not only without having checked the drain, but with the certainty of increasing it, in proportion as the amount of their notes was diminished. At such a moment, the preservation of the Bank from actual failure, though an important, is but a secondary consideration:—that of the country is the first. The possible cases, however, which may call for such an intervention of power, are not capable of being foreseen or defined by law. The necessity may not occur again: if it should, the application of the remedy must be left to those who may then be at the head of affairs, subject to their own responsibility, and to the judgment of Parliament. But I must observe, that in proportion as the knowledge to be derived from the experience of 1797, on the one hand, and of the two last years on the other, shall be more generally

spread through the country, and as the principles of our monied system and of circulating credit shall be better known and more generally understood, will the recurrence of such a crisis be rendered less probable, the danger of it more easily met and overcome, and the nature of the remedy, as well as the extent to which it may be used, more fully ascertained. It is a possible, temporary, and transient interruption of the ordinary course of our circulation, of which we are compelled to meet the risk, in order to insure to ourselves the habitual, permanent, and incalculable advantages of an extensive and secure circulating paper credit. This is the lesson we should learn from the use of the Restriction in 1797, on the one hand; and from the inconveniences to which the abuse of it has led on the other.

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It has been objected, that the consequences derived from the arguments which prove the depreciation of our currency, if pushed to their full extent, would go to establish a title in persons who suffer from being paid in that depreciated currency, to some compensation for the difference between the payment received, and the amount in standard money of their just and legal demands. According to the principles of strict justice, it may indeed be impossible to

deny that this compensation is due to them. The injury which they now sustain, by being paid in Bank notes, is precisely of the same description as if they were compelled to receive in payment clipped and light coin. In the latter case, every man would agree that such coin ought to pass, not by *tale*, and according to its *denomination*, but by *weight* only. To the former, the same principle might apply. But no arguments are to be looked at with more suspicion than those, which, from the acknowledged impossibility of attaining to perfection, would infer, that it is absurd to attempt the nearest possible approximation to it. If a system be erroneous, the very consequences of its errors generally constitute the most powerful impediment to a correction of it.—But if that impediment were to be held conclusive, the result would be no other than this—that the errors of inadvertency, when they have prevailed for a certain time, are, upon a discovery of their nature, to be persevered in, from deliberation and choice. In the present instance, the result would be, that, a certain degree of injustice having been innocently done, and a certain degree of injury unavoidably suffered, the awakened consciousness of that injustice and that injury, should only lead to an advised confirmation of the system by which they have been

produced. Any man who will give the slightest consideration to the subject, will see that it is not possible to redress the inconveniences which have been sustained; and to every man of sober understanding, "*that it is impossible,*" is a sufficient answer. But the future is within our power. The Legislature can prevent the continuance and augmentation of the evil; and it is, therefore, its bounden duty to do so.

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I am not sure that some persons will not be found, who, however unable to deny that the depreciation of our paper is proved beyond all doubt, will still be disposed to maintain that the evil of such a state of things, great as it is, is more than compensated by some greater publick advantages. It will be incumbent upon them to shew what those advantages are, that ought, in their judgment, and in their morality, to outweigh the strongest claims of justice, and the plainest dictates of publick honour; and distinctly to point out to what extent, and by what classes of the community, they are enjoyed. I purposely forbear again adverting to the various classes and descriptions of persons, subsisting upon fixed incomes, whom I have already shewn to be pre-eminently (though they

are not exclusively) sufferers from the present state of things.

First, then, is it for the benefit of the landed interest that the present system should be continued? Surely this part of the community is too just to wish for profit to be obtained at the expense of others, even their nearest relations or friends; too enlightened to countenance a system which, progressive in its nature, would, if unchecked, ultimately lead to the subversion of all property *. One large class of landed proprietors indeed—those whose lands are actually under lease—being for the remainder of those leases within the description of persons of fixed income, suffer in the same manner as other persons which that class comprehends.—They even suffer more;—inasmuch as the reserved rent is generally subject to repairs and other outgoings, the expense of which is of course increased in proportion to the depreciation of the currency in which it is paid. In such a state of things, landlords will be naturally disinclined to grant new leases. Is this the way

* If ever there was a proposition universally true, this has proved itself to be so in all countries in which *paper currency*, from any combination of circumstances, has been suffered to grow into a *paper* MONEY.

in which the cheapness of paper is to contribute to the improvement of their estates? So far from it, that every landlord must be satisfied, by a moment's reflection, that the advancement of agriculture is best secured by holding out a fair inducement to the employment of capital in this most essential branch of national industry; and that it is, by the real improvement of the land, and not by a mere nominal increase in the annual rent, that he must measure the rise in the value of his estate. If, by good husbandry, the produce of an estate be doubled, its real value will be proportionably increased; but, if the produce remain the same, and the increased rent, in Bank paper, be not exchangeable for a greater *quantity* of gold than the landlord was intitled to receive under the old rent, the real value of the estate will be any thing but augmented by such a rise in the rent *.

* The price of land (either to rent or sell) like that of all other objects, is, of course, raised in proportion to the depreciation of our currency. But the greatest part of the increased value which landed property has acquired within these last ten years, is, I believe, fortunately for the prosperity of this country, of a more durable and substantial nature, and is fairly to be accounted for by the great improvements made in the science and practice of agriculture; by which the productions of our soil have been both ameliorated in quality and increased in quantity.

Secondly, is the commercial class really benefited by this state of things? It is impossible to deny that some, and perhaps many individuals, connected with trade, have derived advantage from the greatly increased facility which has prevailed, within these two or three last years, of obtaining credit upon the discount of commercial securities; and that a few who have been fortunate, in watching their opportunities, and in boldly availing themselves of this facility, have made great and rapid profits by their speculations. But whether the mercantile body of this country, considered in the aggregate, has reaped any substantial advantage, or will ultimately derive any benefit, from the superabundance of paper currency is, to me at least, a much more doubtful question. It is impossible for any observer of events accurately to discriminate between the adventures to which this excess has given rise, or, at least, a principal aid and support, and those which have their foundation in the mercantile capital and industry of the country, and would have been carried to the same, or, perhaps, to a greater extent, if the amount of discounts and circulation had been kept within those limits which are compatible with the sound state and undepreciated value of our cur-

rency. That some speculations which, it may be fairly presumed, belong to the former class, have turned out unfortunate; whilst others, which are still pending, are of precarious issue, is, I am afraid, an opinion but too well founded, and one to which, I apprehend, that recent and passing events have made many converts among those who have the best practical knowledge on these subjects.

The convulsions of the world have thrown a principal part of the trade of Europe and America into new channels. The first who explored those channels, and had the address to elude the difficulties and dangers which beset the approaches to them, were eminently successful. Their exports were inadequate to the demand abroad; their returns unequal to our wants at home. Great profits were the result. This result became generally known, and the temptation was irresistible. Not only the original adventurers, in most instances, re-embarked largely in the same pursuits; but hosts of new ones sprung up in every corner of the kingdom: every one, anticipating a gain like that of the first speculations, became, of course, anxious to procure credit to the greatest possible amount—negotiable securities were multiplied in every

shape—discount was sought for in every quarter —ingenuity was at work to multiply the means of obtaining and affording accommodation* so long

* It has been said, that any step which may be taken towards the resumption of cash payments, would immediately compel the Bank Directors to reduce, in a very great degree, the amount of their accommodation to the merchants; and some persons have gone so far as to insinuate, that they would probably cease to discount altogether. The abettors of the present system have used this language with much success, as the means of creating an alarm in the mercantile world. To me there appears to be no necessity for making any sudden or violent diminution in their discounts: indeed there is no reason why they might not be continued to the same amount as at present. Every facility that could be required would, no doubt, be afforded by Parliament in this respect. The whole of the six millions, advanced in consideration of the deposits of publick money, if necessary, might be repaid; and, instead of this advance, an annual sum might be paid by the Bank to the publick equivalent to the saving on the interest of this loan. This repayment would afford to the Bank more than a sufficient latitude for gradually reducing their circulation without any diminution whatever of their commercial discounts.—But this is a narrow view of the question.—The root of the evil is not in the discounts of the Bank.—Their power of giving an increased accommodation to the trade of the country, and the extent to which it is now carried, depend more on the greatly increased amount of the balances deposited by Government in their hands, and which are lent out again upon good bills of exchange, than upon the enlarged amount of their circulation. The amount of these deposits

as the sales were brisk, so long as the demand, both for raw materials and manufactured goods, continued to increase, and prices to rise in the home market, every thing went on smoothly, as much to the satisfaction of the manufacturer and merchant, as of those to whom they were indebted for the discount of their bills. It was then that all these parties discovered to what a degree the suspension of cash payments afforded facility and security to the extension of this

deposits is independent of the amount of the latter, and would not be affected by its reduction, whilst the effect of that reduction, in raising the value of their paper, would be precisely the same, whether it were brought about by a diminution of their loans to Government or to individuals; because it is to the aggregate excess of their issues, and not to the particular nature of the securities on which they are made, that the depreciation is to be ascribed.—That excess affords a facility to the abuse of credit, and gives birth to wild adventures in other quarters: those, I admit, will be checked by a diminution in the total amount of their currency; although it should be effected without any diminution in the scale of commercial discounts at the Bank of England. But have we not seen enough of the ultimate effects of this artificial facility, and these forced speculations? To those who still shut their eyes to the melancholy but instructive lessons which we have lately received in this respect, it would be useless to offer any other proofs of their dangerous tendency. They would remain unconvinced even if all the follies of the South Sea adventure, or of the Missisippi scheme, were acted over again.

description of credit: but the currency, in which the discounts were effected, became depreciated in proportion to the rapid increase in its amount. If trade had continued in its ancient and accustomed course, and the spirit of rash adventure had not been excited by new prospects of extravagant gain, there is reason to believe that the expense of discount, aided by the strict adherence of the Bank to its long established regulations, and by the reluctance to engage in Country Banks, which had been created by the disasters of 1793 and 1797, might have afforded, for some time longer, (as they had for several years after the restriction was first imposed) a sufficient guard against any very material excess, or any great depreciation of our currency. But, on this occasion, the Directors of the Bank appear to have considered the increased eagerness for discount as requiring some increased indulgence on their part; and, perhaps, whilst trade appeared so flourishing, it was not unnatural that they should consult their own fair interest as bankers in this respect.

The amount of their paper was, in consequence, considerably increased, although, by the great and simultaneous augmentation in the circulation of Country Banks, the use of Bank paper beyond the limits of the metropolis became

every day more circumscribed. Under these circumstances, the rise in the price of goods, which, at first, was the effect of an increased demand, was soon considerably aided by the depreciation of the currency, as well as by the power which the facility of discount afforded to new speculators (calculating upon a still further rise) of keeping back their purchases from market. Thus the diminution in the value of our currency, brought on in a great measure by this *mercantile delusion*, has, in its turn, been one of the principal means by which the latter has been kept up and supported in the home market. Many a speculation, probably, within these two last years, for which the party takes to himself the credit of commercial acuteness and great foresight, was principally founded, however unconsciously to himself at the time, in the decreasing value of our currency.

In making use of the words *mercantile delusion*, as applicable to a considerable part of the trade, which has been created and fostered, within the two or three last years, by the circumstances which I have stated: I feel that it would be incumbent upon me to offer some more enlarged explanation of the subject, if, unfortunately, many recent occurrences did not, at once, establish the facts, and justify the terms I have applied to

them. In the nature of things, such a speculation could not continue universally and uninterruptedly fortunate. The markets, at first scantily supplied, would soon be overstocked. Some of the adventurers, from being too late, others, from ignorance or misconduct, extravagance or misfortune, would fail. The chain was sure to give way in some of its links—great and numerous failures are the consequence—suspicion and alarm become general—securities, hitherto negotiable, can no longer find discount—many of the discounters themselves are ruined, and all put upon their guard—the markets fall—goods are forced upon sale, when all are afraid to buy; and, whilst the fortunate *few* retire upon wealth rapidly accumulated, thousands are left to lament the ruin, which, deluded by the example of such rapid success on the one hand, and tempted by the facility of overtrading on the other, they have brought upon themselves.

I may therefore be allowed to doubt whether a very great proportion of the more recent speculators to *South America*, as well as to *Malta*, *Heligoland*, and the *Baltic*, do not repent that they ever became acquainted with the tempting tale of a few early adventurers, or were so easily furnished with the means of engaging in similar risks, to an extent out of all proportion, either

to the amount of their capitals, or to the demand from abroad; and whether, ultimately, the legitimate advantages of commerce, as well as the real interests of the trading and manufacturing classes, will not be injured, rather than advanced, by the consequences of the protracted suspension of cash payments.

This part of the subject reminds me that a few words are still necessary respecting what is called the "*Balance of Payments*" with foreign countries, to which I have adverted in a former part of these observations. I then left to the reader to judge for himself how far this fashionable doctrine affords a sufficient explanation of the long-continued depression of the foreign exchange, and of the high price of Bullion at home.

That a nation, like Great Britain, possessed of great commercial capital, should afford long credits to other countries, where capital is wanting, and where the rate of interest is consequently much higher, is certainly very natural, and it is an obvious advantage to us in trade. But these credits are given in succession, and some are daily coming to maturity, whilst others are created: so that, although the different parts of the world are constantly indebted to this country, the aggregate amount

of those debts cannot, in the ordinary course of things, very materially vary.

But it is obvious, that if, from any peculiar circumstances, an unusual facility of discount exists at home, whilst abroad an advance in price, far exceeding the rate of interest here, is given for goods sold upon long credits, or a proportionate abatement made upon those bought by us for ready money, the balance of debt to this country may be somewhat increased, and the exchange thereby rendered unfavourable for a short time. This fall, if our currency were not depreciated, could not exceed the expense of transporting Bullion to the Continent, or continue, as it has done, for two years. Within that period, too, it may be remarked, the longest of those credits must probably have come round, and consequently there would now be an end of the argument.

Besides, the increase of foreign debt, and whatever fall of the exchange it may, at one time, have occasioned, are to be ascribed to the abundance and cheapness of our paper; for, if the Bank, when it was liable to pay its notes in cash, had enlarged its issues, till the market price of Bullion, and consequently the course of exchange, were materially affected, these circumstances would have compelled them to make a diminution in the amount of

their discounts. That diminution, by rendering money more scarce at home, would have prevented merchants from extending their credits abroad, and induced them, as far as possible, to accelerate the payment of those that were becoming due. The effect would have been to assist in improving the foreign exchange, till it was restored to its proper level, and, with it, the facility of discount at home to its ordinary course. This increased *Balance of Debt* (on which is founded the pretended "*Balance of Payments*,") is therefore only a further instance of the manner in which the harmony of the whole system is destroyed by the derangement of one of its parts, and an additional reason for restoring the value of our paper currency to the standard of our coin.

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I will not add to the length of this discussion by examining more in detail the manner in which the interests of the mercantile and manufacturing part of the community are likely to be affected by the continued debasement of our currency. That they are not necessarily exposed to the same injury as is cast upon the other classes of the community I am ready to admit; but then let them recollect all the ties by which they are connected with those classes,

and that the durable prosperity of the one cannot be built upon the distress of the other.

The business of a merchant is to buy cheap and sell dear. His general wish is to be able, for this purpose, to command as large a credit as possible. He must consequently, upon abstract principle, be favourable to any system which is likely to give facility to the discount of commercial securities. His interest, therefore, appears to be the same as that of the banker; whose profit increases with the extension of such discounts. His skill and his success depend upon his rapidly converting credit into goods, and, thereafter, re-selling those goods at advanced prices. Generally, therefore, a merchant is a large possessor or *creditor* of produce, and a *debtor* for a considerable part of the sum with which it was purchased. If the currency, in which that debt is to be liquidated, be progressively decreasing in value, his profit upon every transaction, will be augmented in proportion to the increased depreciation of the currency. But is this the fair profit of trade? Are these the gains to which the unsophisticated meaning of our laws, the clearest principles of justice on which they are founded, the sacred obligations of publick faith, of which they are the pledge, and the rights and interests of

the whole community are to be sacrificed? Is this the description of trade, or rather of gambling, which ought to find friends among the real merchants, or advocates in the Legislature of this country?

Besides, the continued success of such a trade depends upon the progressive increase of the depreciation of our currency. In the more probable case, of a fluctuating depreciation; liable to be increased or diminished by every change in the councils of the Bank; by any extensive or sudden failures of Country Banks, or by the doubts and suspicions to which all currency, if not referable to some established and certain criterion of value, must be obnoxious, it cannot, I think, be long before every *merchant* (if he be really worthy of that name) must wish for some *fixed standard*, by which he may ascertain the value of his commodities, may regulate his purchases and sales, and measure the extent of his engagements—before he must be convinced that paper "*though never issued except in the discount of perfectly good bills, founded in real mercantile transactions*," may yet be carried to excess—that its real use and benefit (and they cannot be prized too highly) are not in what it adds to the currency of a country,

but in what it saves of expense in providing it. That from the profit incident to the issues of such paper, the Publick derive a sufficient security that the wants of our circulation will be constantly supplied: but that the full and safe enjoyment of this convenience, essentially depends on the assurance that such paper shall be strictly *circulating credit*;—that it shall retain its value in conformity to our own *standard*, and thereby, in reference to the currency of other countries;—and that nothing but its interchangeableness with cash, can now restore that assurance, or, at any time, permanently maintain it.

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Lastly, is it the interest of the Government which calls for this system? This question can hardly be put without seeming to imply an admission which every man must be anxious to deny—that there can be an interest in the Government separate from that of the community. We are told, however, that the taxes could not be raised—that the loans for carrying on the war could not be negotiated—and that the whole of our finance is a superstructure, built upon the basis of our present paper currency. These are assertions wholly unsupported by proof. Why could not the taxes be raised? How were

they raised before the restriction? Would not the real wealth and capital of the country, as well as its population and industry, continue the same? and what are the taxes but a given proportion of the annual income, which the people of this country derive from their soil, their industry, and the employment of their capitals?

It is true that, the price of all articles being restored to their proper relative value, the taxes upon consumption would, in reality, bear a somewhat higher proportion to the prime cost of the commodities upon which they attach, than they do at present; but not higher than they did when they were first imposed. Besides, as this effect would be produced without any real augmentation of burthen, persons of a fixed income would be able to consume more, and those whose incomes have increased in proportion to the depreciation of money, would not (even should their incomes thenceforward be nominally diminished in the same proportion) be reduced to consume less than at present. The case of the assessed taxes, it must be admitted, would be somewhat different, some of them partaking of the nature of an *ad valorem* duty; but, upon the whole, there could be no very material or permanent diminution in their amount. The *ad valorem* taxes upon the transfer of property, such as the

auction duty*, and the stamps upon conveyances, would certainly suffer a nominal diminution; but these branches of the revenue are not very considerable in their amount, and are the only portion of our *permanent* income which could be much affected. The property-tax,

* This duty, in the year ended the 5th of April 1808, produced £272,570, and in the year ended the 5th of April last, £363,434, being an augmentation of *one third*: although, certainly in the last year, there was no pressure in the country to force property into the market. The auction duty is under the management of the excise; and it is not, perhaps, undeserving the attention of those who may wish to look at the difference in the first consequences of a depreciation in the currency of a country, upon the prices of labour and property respectively, that, whilst the produce of this tax has increased more than 30 per cent., most of the other taxes, in the same collection, being upon general consumption,—such as malt, British spirits, candles, soap, and glass, have, within the same period, been rather decreasing; and others,—such as beer, leather, salt, &c. have been very nearly stationary. The increased produce of taxes of this class must await an increase in the wages and salaries of labour and industry, proportionate to the decrease in the value of the currency in which those wages are paid. To whatever degree that increase has already taken place, and in proportion as it may become general (if the value and standard of our money shall remain unsettled), the nominal benefit of it will probably be felt in these branches of the publick revenue. This appears to me a very strong proof that the effects of a depreciation of currency upon all the transactions, and upon all the comforts of life, are not merely imaginary.

being also an *ad valorem duty*, would be liable to some diminution, but as a great part of this tax is levied upon persons of fixed incomes, the falling off, in the first instance, would not be considerable, and would soon be made up by the growing wealth of the country*.

Why could not any loans, that may be necessary, be negotiated? Is it not the amount of capital, compared with the demand for it, and not the amount of circulation, which regulates the rate of interest in a country? And what is it that supports the publick credit of a country, except general confidence in the sufficiency of its resources, and a character for punctuality and good faith in its engagements? Are Bank notes not convertible into cash, the test of the solidity of our resources? Are payments made in a currency referable to no fixed standard of value, the essential criterion of punctuality and good faith?

It is true that the abundance and cheapness of our paper have, in the first instance, a tendency to raise the price of the publick secu-

* I have already observed in how many ways, and to what a degree our publick expenditure is increased by the present state of our currency; and that the savings which form some set-off to that increase, are neither honorable, nor just, nor likely to be permanent.

rities, which enables the Government to borrow money on terms nominally better; but it is equally true that, from these same causes, the amount of the loans requisite for the publick service is increased, and who does not see that the latter effect compensates the former? It does so, in the very year in which the loans are made. But if we consider its operation on posterity; if we consider that, in order to effect a small nominal saving *now* in the rate per cent. at which our loans are borrowed, we engage to pay for all time to come an increased amount of interest:—that we contract to pay the more, because that contract is made in depreciated paper;—but that those payments are hereafter to be made in undepreciated money. Who does not see the improvidence of such a system? Who does not see that we purchase the show of what is at best a fallacious and temporary facility, at the expense of a more than necessary accumulation of real and permanent burthen? Can any one believe, that considerate men will much longer look to the publick funds of the country as a safe and proper deposit for any permanent provision which they may be enabled to make for their families, if the principles on which the value of our currency now rests should either be countenanced and supported, upon sys-

tem, as beneficial to the State, or defended and continued, as a necessary evil admitting of no remedy? This consideration alone forms a most important part of the subject, with a reference to the policy of the present system, and cannot be too seriously weighed by those who must ultimately decide upon the whole merits of this great question. In coming to this decision, let them also look to the character and honour of the nation, and to the impression which that decision will not fail to make in other countries. Foreigners will not be influenced, either by interest or prejudice, in forming their judgment respecting the value of our paper. If they see all the symptoms of a depreciated currency, such as they have witnessed in different parts of the Continent, they will not doubt that our paper also is depreciated; and they would by degrees conclude (if all foundation for such a conclusion be not speedily done away) that the change in our monied system, by which we have virtually made paper a *legal tender*, (however in its origin the evil may have been unsuspected, or may still be palliated in its progress,) will ultimately produce the same disasters, which have marked the course and termination of similar attempts in other parts of the world. Respecting the language, or the pre-

dictions of our avowed enemy on this subject, I am little solicitous; but from the dread and mistrust which prevail in every part of Europe, of any thing which, in principle, bears so near a resemblance to *paper* MONEY, I am convinced that the state of our currency, if not speedily rectified, will be a source of disquietude to all those whose hearts and wishes are really with us in this great contest. Nor must we allow ourselves to hope that our national character for strict integrity, and for a rigid adherence to good faith in all our engagements, would not suffer by the protracted duration of the present derangement in our currency. By a refined, and perhaps overstrained, sense of our obligations in this respect, we have exempted that part of the interest of our publick funds which belongs to foreigners from the property-tax—and shall we feel no scruples in paying that interest in a currency, of which the depreciation unavoidably exposes them to a much heavier deduction? How can we expect that our dealings and contracts will continue to be looked to with the same unbounded confidence, and to be held in the same high estimation, if *that* upon which they all turn, and by which their amount is measured, instead of being accurately ascertained and invariably fixed, is referable to no established

standard of value whatever, and liable to fluctuations from causes over which the foreigner can have no controul? His apprehensions will soon outstep the reality of the evil, and his speculations on its future progress will contribute to aggravate its present pressure.

The occurrence of some general alarm, arising from preparations, or attempts which may be made by the enemy against this country, or possibly from some internal cause, should not be lost sight of in the consideration of this subject.

The difficulties incident to such a state of things, were confined in 1797 to a stagnation of sales, and to an interruption of credit in all the larger transactions of trade and of the community, but they were not felt in the exchange and distribution of commodities, in the common dealings by which the daily wants of society are supplied. But what would be the result of any general interruption of confidence in paper currency at the present moment, accompanied as it would necessarily be, with an anxiety to part with that currency, and a refusal to accept it in payment for commodities on almost any terms*.

* Some idea may be formed of the distress which would result from such a state of things, by the sudden inconvenience which has lately been felt in some small districts of the kingdom in which the country Banks, by which their circulation was supplied, have failed.

in proportion as confidence would be suspended,—would power be substituted to give circulation to our paper?—from the absolute necessity of the case, I apprehend that it would—and what power? Not indeed that of the State, as in despotick countries, but the power, probably, of every possessor of a small note, pressed by his own wants and by those of his family, against the possessor of the commodities by which those wants might be supplied.

But I have said enough, perhaps more than enough, both as to the certain and the possible consequences of the continuance of the evil.—I feel that it is more than time to bring the subject to a close. Let it only be remembered, by those whose duty it is to consider this great question, that the existence of the evil cannot be disguised. It is too late to determine that we will not avow it, even to each other:—a policy, which, though it sometimes tricks itself in the garb of wisdom, is not a manly policy, nor one that, in the nature of things, can ever be long successful.

To recommend helpless acquiescence, or to attempt to palliate the mischief, is to hold out to all the world a discouraging picture of the real situation of this country. It is to represent, as our only support in the conflict, this

system, which is, in fact, but the lengthened and distorted shadow of our real wealth;—to represent the duration of that system, unsubstantial as it is, as forming the real measure of our resources.

Resources of a far different character this country possesses in abundance. They are to be found in the immense and increasing produce of its territory:—in the unwearied extension of its manufacturing industry:—in the elastick and expansive force of its legitimate commerce:—all mutually aiding and fostering each other:—all fed and put in motion by capital, the genuine growth of progressive accumulation—and not the factitious result of any artificial contrivance.

If, from the currency of a country thus circumstanced, the precious metals have altogether disappeared, it is idle to suppose, that such a disappearance can be the effect of natural causes:—it is absurd, either to exaggerate the process by which they are to be re-acquired into an effort, or a sacrifice;—or to suppose that any other process can be necessary for that purpose than that of restoring things to their natural course.

THE END.

G. WOODFALL, PRINTER, ANGEL COURT, SKINNER STREET, LONDON.

# CONSIDERATIONS

ON THE 2

# STATE OF THE CURRENCY.

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By THOMAS TOOKE, F.R.S.

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# ADVERTISEMENT.

THE original design of this publication was that it should serve as a sequel to one in which I have endeavoured to trace the causes of the fluctuations which had occurred down to 1822. And in pursuance of that design it was my intention to introduce a detailed description of the circumstances which have led to the late crisis, with statements of quantities, as well as of prices, illustrative of the different points which it was my object to explain. But in the progress of my attempt, I found that to pursue this plan systematically would require, in the collection and arrangement of materials, more time than I could allot to it, consistently with the purpose of being ready for publication within the period in which alone the discussion

was likely to be of any interest or use. It occurred to me also, upon consideration, that as the greatest part of the facts which I had originally purposed to insert, are either matter of notoriety or of ready access, a detailed description of them would have made the work more cumbersome, without adding, in a proportionate degree, to the force of the conclusions. I have confined myself, therefore, in the following pages, to a sketch of the most prominent features of the circumstances which have preceded and accompanied the recent transitions, and to such statements only as are essential to a full exposition of my view of the general causes which have produced those transitions.

*Richmond Terrace, Whitehall,*
*Jan.* 28, 1826.

# INTRODUCTION.

THE period of three years, which has elapsed since I attempted to explain the causes which had produced the variations of prices in the thirty years terminating in 1822, has been signalized by fluctuations almost as great as in that remarkable interval, and by revulsions of commercial credit, still more striking and destructive.

The urgent necessity of devising means of preventing, or at least diminishing the range of such fluctuations, has been painfully brought home to the conviction of the public. But this object, if it is attainable at all, can only be realized by an accurate appreciation of the whole of the causes of the evil. No remedy can be applied until all the defects in the system of our currency be exposed. To do this as completely as the importance and extent of the subject would require, is a task requiring much

more leisure than I can devote to it. If there are a few points relating to the discussion of these topics, which the following pages will be found to elucidate, my purpose in publishing them will be fully answered.

Of the different causes which I had occasion to assign, in explanation of the fluctuations that occurred from 1793 to 1822, the alterations in the *system* of our currency, by the bank restriction and resumption of cash payments, and by the effects of war and the transition from war to peace, being wholly inapplicable to the fluctuations of the last three years, there remain only,

1. The seasons.
2. Alterations in the value of the currency*,

*. On reference to the arguments contained in my former work on the subject of alterations in the value of the currency, as among the concurrent causes of the great fluctuations of prices which had occurred in the thirty years ending in 1822, I am sensible of an error in the mode of statement of the arguments, and in one or two expressions, which, although of no great importance, I take this opportunity of explaining. The whole scope and object of my argument was to negative the alleged influence of the bank restriction and resumption acts in raising and depressing general prices beyond the degree indicated by the difference between paper and gold. I did not mean to deny that there were great fluctuations in the value of the currency during the period referred to, beyond the indication by that test: on the contrary, I distinctly stated, that from the powerful in-

in a state of the circulation in which the bank paper is perfectly convertible.

But the former not having been, in the last three years, characterized by any very decided deficiency or exuberance of general produce, cannot be adduced as having had any prominent share in the recent, as they undoubtedly had in the former, fluctuations. I shall, therefore, not consider these under a distinct head,

ducements held out to speculation, by the circumstances of the war and the vicissitudes of the seasons, there were great alternations of enlargement and contraction of country bank-notes, and of private paper, and credit, occasioning great temporary variations, which would equally have occurred in the value of the currency, independent of the bank restriction. But I ought, at the outset of the work, to have stated, more distinctly than I did, the division of the argument into two branches, *viz.*, that of alterations in the value of the currency arising from the suspension and resumption of cash payments, and that of alterations in the value of the currency from circumstances which would have affected it independently of those measures. With this explanation, and with the correction of two passages, *viz.*, one in page 135, second edition, line 16, from top, where, instead of the mere word "currency," should have been inserted the words "alterations in the system of the currency;" and the other, in page 143, in last line but one, where I have inadvertently used the word "*value*" instead of "*system* of the currency," I am perfectly ready to abide by the result of any comparison of the consistency of the views which I then entertained with those which I am now bringing forward on the subject of the currency.

but only notice them incidentally. And the whole discussion in the following pages will turn upon the degree in which the *currency* has been connected, in the relation of cause and effect, with the violent transitions between high and low prices, between the extremes of confidence and alarm which have prevailed in the commercial world.

## SECTION I.

Upon the causes which determine the rate of interest, and the application of these to the late fluctuations.

Among the most striking and important of the fluctuations which have occurred within the period under discussion, are those of the prices of the British and Foreign funds; but the prices of the funds, in as far as there is no question of risk, are neither more nor less than the measure of the variations in the rate of interest. In accounting, therefore, for the great alterations in the prices of government annuities and securities, it becomes desirable, as a preliminary step, to investigate the circumstances on which the rate of interest depends. It will appear, moreover, that the rate of interest enters as cause and effect into every consideration of the regulation of the paper currency in this country; it would be difficult, therefore, if not impossible, to proceed intelligibly in the discussion of the manner in which the paper circulation has been administered, or of the merits of the system itself, without something like a clear understanding of the causes which influence that rate.

The commonly received opinion, and that

which is generally adopted by political economists is, that the rate of interest is governed by the rate of profit. In an article in the *Edinburgh Review,* No. 79, under the title "Standard of National Prosperity," pp. 8 and 9, which is nearly a transcript of some of the opinions contained in the lectures delivered by Mr. Mac Culloch, is the following passage: "Interest rises as the rate of profit rises, and falls as it falls: the one is directly as the other." It is admitted, in the same passage, that "it is often difficult to determine what is the precise average rate of profit at any particular period; but," the reviewer adds, "it is never difficult to determine whether it is higher or lower at one period than another, or whether it is rising or falling." "For," he goes on to say, "this may always be learned with the greatest facility from the rate of interest paid for capital lent on good security."

My only purpose, at present, is to inquire in what respect the rate of interest is an index of the rate of profit, and how far the former depends upon the latter. Without entering therefore into the question, whether the rate of profit ever has been, or is, or ever can be determined, as applied to the return to capital, in a national point of view, I would ask, whether the rate of interest, at any particular period, is in-

dicative of past, present, or future profit? *Past* profits, the present rate of interest cannot indicate, because the capital borrowed for the purpose of obtaining that profit, has, by the supposition, been realized, and the borrower has, for that purpose, no further object in paying for the use of the capital. *Present* profits, as contra-distinguished from past or future, cannot be said to exist. When they have been realized, they are past; as long as they depend on a contingency, they are future or *expected* profits.

The proposition, then, resolves itself into this. That the rate of interest, at any time, indicates the degree of expectation of profit: and then, as it is assumed that the expectations of those who borrow money, with a view to profitable employment, are likely, on an average, or in the long run, to be realized, the average rate of interest may be supposed to bear some proportion to the rate of profit. Thus, on an average of some indefinite number of years, sufficient to equalize the effects of seasons, political and commercial changes, alterations in the value of money, and every source of miscalculation, the customary rate of interest might be assumed to bear some proportion to the rate of profit. But, even on this supposition, the rule would be of little practical utility in the application to passing occurrences, or to determine whether, in any period so short as three or four, or even

ten years, the rate of profit was higher or lower, rising or falling, compared with any other equal period. The author, however, of the article which I have quoted, infers, that because the rate of interest at the precise time when he was writing, had fallen, and was apparently falling, the rate of profit, and the power of accumulation in this country, were diminished in a corresponding degree. By the same rule it might be inferred, that, as within the last few months the rate of interest has risen considerably, the rate of profit and the power of accumulation are, in the present distressed state of the commercial community, greater than they were two years ago: nay, even extending the remark to longer periods, viz. of ten or twenty years' duration, what, according to that rule, would be the inference as to the rate of profit? Certainly this: that as, during the whole of the last century, and the twenty-five years of the present, the average, or customary rate of interest on good security, was higher during the periods of war, than in the intervening periods of peace, the rate of profit, and consequently the power of national accumulation, must have been greater in the periods of war than in the periods of peace. But as I believe that no person conversant with the nature of the money market would for a moment doubt that in every future war, if of any extent and duration, the

rate of interest not merely on government securities, but on all safe investments, would be higher than in an equal period of the preceding or succeeding peace, the proposition would, upon the grounds supposed, admit of being generalized thus: That the rate of profit, and the power of accumulation, must be greater in war than in peace; and the final conclusion would be, that perpetual war would be attended with perpetual prosperity: a conclusion so monstrous, that it must naturally lead to a suspicion, or rather to a conviction, that the premises are unsound.

I am inclined to think that one of the fundamental errors of the doctrine in question is, that the following consideration is overlooked, viz: that while the returns to the whole of the national capital laid out with a view to reproduction, are, and must be, estimated in kind*, (supposing that there were means of making such estimate,) the rate of interest is always computed in money; consequently, profits estimated in money are not, necessarily, in the ratio of national profits estimated in commodities: the variation of the one is not, therefore,

* And that the author of the article which I have quoted supposes the estimate of profit to be made in kind, or in the quantity of commodities, may be collected from what he states at p. 14 to 16 of that article, and, indeed, from the whole course of his reasoning.

necessarily indicative of the variation of the other. It would be incumbent on the reviewer, in the first instance, to point out the invariable connexion between the returns to national capital, estimated in kind, and the returns to individual capitals, estimated in money; and in the next place, the invariable equality of the proportions of the whole national capital, compared with its productiveness, and of the supply of monied capital seeking secure investment, compared with the demand for the use of such capital, by persons having good security to offer, this latter being the condition by which the rate of interest is determined. This, the author whom I have quoted has not attempted to do.

Another source of error in the reasoning, which seems to lead to the conclusion which I have pointed out, is the unqualified assumption, that money is borrowed with a view only to reproduction, or in other words, for profitable employment. The assumption is an unqualified one, otherwise it would not bear out the conclusion. For admitting that such may be the case in the majority of instances, the exceptions might be, as they are, so large as to destroy the application of it to the business of real life.

A third source of error consists in overlooking the consideration, that monied capitals may increase in a greater ratio than the means of

employing them, without personal superintendence, although the sources of production, and the degree of their productiveness may likewise have increased. And thus the interest on the best securities, involving no trouble, may fall, as the returns to mercantile, or other professional skill, rise.

Having thus noticed what I conceive to be the errors of a doctrine, which proceeding from a writer whose opinions have deservedly very great weight, might, if not pointed out, lead to injurious practical results, I will proceed to state what occurs to me in explanation of the causes of the variations in the rate of interest.

I should define the rate of interest to be that proportional sum which the lender is content to receive, and the borrower to pay, annually, or for any longer or shorter period, for the use of a certain amount of *monied capital**, without

* To distinguish with perfect accuracy between *monied capital* and *currency* is a matter of some difficulty, and perhaps would require a detailed analysis of every species of mercantile transaction. In general terms, however, that may be called *monied capital* which is lent on the security of bills, that is, on discount, on mortgage, or on any other kind of security;—while *currency* is that *medium*, whether consisting of gold, notes, bills, or credit, by which the purchase of commodities is effected. In ordinary discourse, both *monied capital* and *currency* are called *money*, and the market for *monied* or *disposable capital* is called the *money-market*, and hence much confusion arises from the use of

any consideration for trouble in the collection of the income, or for risk as to the punctual repayment of the interest or principal at the stipulated periods. Whatever is received by the owner of a monied capital for the loan of it, beyond that rate, ought to be considered in the light of a remuneration for risk or trouble.

In this view, the *rate of interest* is *the measure of the net profit on capital.* All returns beyond this, on the employment of capital, are resolvable into compensations under distinct heads, for risk, rouble, or skill, or for advantages of situation or connexion. When the owner of a capital employs it actively in reproduction, he does not come under the head of those capitalists, the proportion of whom, to the number of borrowers, determines the rate of interest. It is only that class of capitals, the owners of which are unwilling or unable to employ their money actively themselves, which has any immediate influence on the rate of interest.

This is the description of capitals which M. Say calls *Capitaux disponibles.*

the word *money*, where *monied capital* is meant. * M. Say notices this distinction between *money* and *disposable capital*, and the errors to which the confounding of the two terms together has given rise, in his excellent and justly celebrated work "Traité d'Economie Politique," p. 112. *et seq.*

The possessors of disposable monied capitals, who operate on the rate of interest, as lenders, may be classed under the following heads:

1. Persons or bodies of persons, trustees, or others, who are precluded by legal or other disability from investing any money which they have to lay out, in any security that is attended with either risk or trouble. Banks, whether corporate, or consisting of private individuals, in as far as they conduct their business according to correct banking principles, may be reckoned under this head. It is perfectly possible that, within certain limits, an increasing proportion of national monied income may be accumulated in the hands of persons or bodies coming under this description, to such an amount that if the borrowers who have securities to offer which involve neither risk nor trouble to the lenders, be limited to a certain number, the rate of interest upon such securities may be depressed in almost any degree*. It is clear, in this point of view, that a fall in the rate of interest on the best securities is no criterion of the returns to

*. It is on this account that an increased issue of Bank of England, and other bank, notes in the way of loans to government, or of discount on mercantile bills, contributes to reduce the rate of interest, when there is no corresponding increase of borrowers having the most undoubted security to offer.

capital actively employed, which involves the necessity of risk, trouble, and skill. If by any financial operation, brought about without any intermediate disturbance of property, as for instance, by an effective sinking fund, our national debt were reduced to one or two hundred millions, it is not inconceivable that any perpetual annuities offered by government, within that amount, would fetch fifty years' purchase, or in other words, that the rate of interest, all other things remaining the same, would, on such securities, be reduced as low as two per cent. per annum.

A state of war, on the other hand, may easily be supposed to raise the rate of interest by creating a supply of that description of security to a larger amount, and more rapidly, than could be absorbed by the accumulations of the class coming under this head. A rise in the rate of interest is, therefore, a condition for obtaining the requisite funds from the other classes of persons possessing monied capitals.

Hence it may be seen why the rate of interest, as measured by securities involving no risk or trouble, should be lower in peace than in war, without resorting to any difference in the rate of profits, to account for that difference in the rate of interest.

2. Persons who are willing to take some

trouble; with little if any risk, and who invest their monied capitals in mortgages, ground-rents, or in loans on goods and other securities involving the necessity of superintendence, and more or less of trouble and exertion in collecting the annual interest. In proportion to the difficulty of obtaining good securities of this kind, except at a reduced rate of interest, this class would be liable to merge into the next class which will be mentioned.

The prevalence, however, of habits of prudence, and the consequently increasing proportion of the national income accumulating in the hands of this, as well as of the first class, would enable persons possessing skill for the active employment of capital, or enjoying advantages of situation or connexion, and offering sufficient security, to retain a larger portion of the returns, as a compensation for their risk, trouble, and skill. Supposing the whole returns to capital to remain the same, a diminishing proportion might go as the net profit to the monied capitalist, and an increasing one to mercantile, manufacturing, farming, or other professional skill. These returns, beyond the mere interest of money, and beyond what may arise from rent or the monopoly of situation, connexion, &c., M. Say classes under the head of

*profits industriels*, as contra-distinguished from *profits de capitaux*, a distinction which our economists might adopt with advantage.

3. Persons, who, in order to obtain a higher rate of interest, or a higher price for the use of their monied capitals, are willing to run an extra degree of risk in the investment of them, but without bestowing personal labour, or possessing any technical knowledge or skill, to qualify them for the active management of such investment.

This is a class, the extent of which could not have been adequately conceived till the experience of late years, in which the success of foreign loans, and mining schemes of the most hazardous nature, proves how many persons there were in this country, who, having some property, were willing to embark it in enterprises of more or less hazard, provided that such enterprises promised on the face of them to yield more than the common rate of interest, without requiring labour or skill. In proportion as the funds of this class have been absorbed in successive payments to the loans and schemes, they must have been withdrawn from the competition with the two first classes of lenders, and this new mode of investment must, consequently, have operated thus far in preventing a fall, if not, in occasioning a rise, in

the rate of interest on the best securities in this country. At the same time that the progressive reduction in the rate of interest, on the best securities, must have detached many monied capitalists from the two first classes, and brought them into the third. There can be no doubt, therefore, that the fall in the rate of interest, an artificial one as it now appears, was, in some degree, a necessary condition of the success of those loans and schemes to the extent to which they were carried.

The three classes of persons here enumerated as being lenders of monied capital, include those, who, being actively engaged in trade, manufactures, or farming, accumulate more than they can re-invest in their own occupation, with the prospect of getting the ordinary rate of interest, after allowing for a remuneration for their labour and risk.

A material consideration to be here borne in mind is, that it is only as long as those capitals are floating, or disposable, that they operate on the rate of interest. When once they are invested, whether for a long or a short time, they are out of the competition of *lendable* capitals, and cease to affect, directly, the rate of interest. Thus, if I have invested my monied capital in the discount of bills, however undoubted in point

of security, and at however short a date, that sum is withdrawn from the amount of floating or disposable capital. I may, indeed, if I have a sudden occasion to require so much money for immediate use, get the bills re-discounted for me, but then this sum must be withdrawn from the amount of floating or disposable capital in other quarters.

These being the principal heads under which the lenders of monied capitals may be classed, constituting one of the conditions on which the rate of interest depends, *viz.*, the *supply*, it remains to consider what is the description of the borrowers, who constitute the *demand*. These may be classed as follows:—

1. Persons who have the *prospect* of being able to employ a capital beyond their own funds, in such a manner as to afford a return adequate to remunerate them for their trouble, and skill, and risk, after replacing the amount advanced, together with the sum stipulated for the use of it.

2. Persons who, having embarked the whole of the capital which they possessed, and having entered into engagements which require larger advances, and afford smaller returns than they had anticipated, call for a further sum, of such an amount, as their securities, or credit, enable

them to obtain, in order to make up for the deficiency, or temporary absence of the returns which they had reckoned upon.

3. Persons who have occasion to borrow, in order to supply the means of unproductive expenditure beyond their income. This head includes a great number of borrowers, having various kinds of securities. It embraces not only those who are proprietors of lands and houses, which admit of being mortgaged, or who have personal security to offer, but the government, which may mortgage the revenues of the state. Under this head may be considered the agents of foreign governments, who may raise loans in this country, or, in more general terms, may offer foreign government securities, which hold out adequate temptation for investment on the part of capitalists in this country.

An attempt at a classification of particulars like these, may appear to some too much like a parade of science; but it is only by treating the subject in this way, that the causes of variation in the current rate of interest can be extricated from the confusion in which they are involved by the attempts which have been made, in discussions purely scientific, to account for all such variations by the supposition of corresponding alterations in the rate of profit.

The simplest way, as it strikes me, on all such occasions, is, where any thing like an analysis can be made, to consider, in the first place, the effect of an alteration in each class of the circumstances under consideration separately, the others remaining the same, and then to trace the influence of any variation in each class on all the others. To do this completely, however, would require a much greater length of discussion than would be consistent with the immediate object of the present inquiry; and I shall content myself with pointing out the manner in which the state of the currency affects the conditions of the rate of interest, and in which the change of these conditions again affects the state of the currency.

Suppose that, at a given time, all these conditions were in their ordinary state, and that the current rate of interest were, consequently, steady, it is very easy, then, to conceive how a sudden increase in the issue of paper, by banks of circulation, may disturb that state of things, notwithstanding that the amount of such increase may be apparently small, when compared with the whole of the national capital; for it is not with the whole, nor even with any considerable part of the national capital, that what I consider as a *nominal* addition to it, by a fresh issue of bank promissory notes, comes in com-

petition. The amount of capital seeking investment, at any given time, may easily be imagined to be so limited, that what might otherwise appear to be an insignificant sum, may yet be a large proportion of that amount, and may, consequently, produce a great temporary depression in the rate of interest, on that description of security for which it comes directly into competition.

But in reducing the rate of interest on the best class of securities, this competition drives the possessors of capital seeking investment, to the alternative of submitting to a diminished income, or of running a risk which they otherwise would not have done, in the disposal of it. And it is, in most instances, the proprietors of the smaller capitals, being those upon whom the reduction of income presses hardest, who have recourse to the more hazardous investments, whether on comparatively slender private security, or in sleeping partnerships, or in joint-stock companies, or in foreign loans.

It must be evident that the same reduction of interest, which leads the possessors of floating capital to incur an extra risk in their investments, is likely to induce persons who have credit, and who are in the active employment of capital, to extend their engagements, if there be any speculative ground for anticipating an

advance of prices. This they may do, either by purchases on credit, to a greater extent than usual, or by borrowing at the reduced rate of interest. If the reduction in the rate of interest, and the facility of credit thence arising, should coincide with a tendency from other causes, to a speculative rise of prices, and with the opening of new fields for enterprise, there will naturally be a great extension of the demand for the loan of capital, by borrowers under the first head.

In the period, however, the consideration of which will form the chief subject of the present inquiry, the increase of borrowers under that head, in consequence of the disposition to speculate, and to form joint-stock companies, had not any immediate or very sensible effect in raising the rate of interest: it merely prevented the greater fall, which, otherwise, must have been occasioned by the immense augmentation of paper, or *nominal* capital*, which was created

* I make a distinction between *capital* in the scientific use of the term as applied to the actual funds destined for reproduction, consisting of raw materials, &c., and *monied capital.* In a settled or uniform state of the currency, however, and in the ordinary use of credit, these two terms may be considered as identical or convertible. But during the progress of an increase of the currency there is a factitious increase of *monied capital*, and this I have called *nominal*, which comes in competition with the pre-existing monied

during that period, as will be hereafter more particularly noticed. The supply of *nominal*

capital; and it is while in this state of increase that it both reduces the rate of interest, and diminishes the value of money. It cannot enter into circulation otherwise than by reducing the rate of interest, other things remaining the same; as it must inevitably, at the time it is issued, increase the number of lenders, or diminish the number of borrowers. The additional currency, in whatever way it comes into circulation, and whether it is in the form of gold or paper, or mere credit, must, eventually, raise the price of commodities and labour. But as almost every increase of paper, excepting what is paid by the bank for bullion, is issued in the way of loan, either to government, or to individuals, it is likely to affect the rate of interest in the first instance, before it comes in contact with commodities. And this may account for an observation which I have heard made, and which appears to me to have some foundation, and that is, that the effects of an increased circulation are perceivable in an advance of the funds, and other securities bearing interest, before they can be traced to the prices of commodities: and the converse holds with regard to a diminution of the currency while in progress. When the amount of the currency has become settled, for any length of time, at a particular level, it is immaterial, as relates to the rate of interest, whether the level of the currency be at one half or at double of its former value: the rate of interest will then be governed entirely by the supply of, and demand for, capital, as resulting from circumstances independent of the currency. But it cannot be too constantly borne in mind, that every alteration in the amount of currency produces a temporary effect upon the rate of interest.

capital was increased, during that period, in a ratio equal to, if not beyond, that of the immediate increase of demand, great as it was.

In the early progress of a general speculation, the immediate absorption of capital is comparatively small. The increased demand for capital by the class of borrowers described under the first head, may not only not outrun the increased supply of *nominal* capital, created by an enlargement of the circulating medium, so as to produce a rise in the rate paid for the use of such capital, but the enlargement of the circulating medium may be, and, indeed, commonly is, under such circumstances, so large as to produce a *fall* in the rate of interest. But the case, in the further progress and termination of a general speculation, is widely different.

There is, then, an immense increase in that class of borrowers, which comes under the second head; and in proportion as the facility of obtaining credit, as indicated by a low rate of interest, has been such as to give great latitude to speculation, there will be an increased demand for capital, and the intensity of the demand will be indicated by a great rise in the rate of interest. The demand is no longer limited, as it was, by the prospect of advantage to be made by the outlay of the capital, after defraying the rate required for the use of

it; it is now limited only by the utmost extent of the securities of every description, which all persons who have entered into engagements beyond their own immediately available or convertible capital can bring forward. If, therefore, the *nominal* amount of capital were the same as it had been when the disposition to over-trade was at its height, there would, by the rapidly increasing absorption of funds, and the consequently urgent wants of the borrowers, be a considerable rise in the rate of interest. "No complaint (observes Dr. A. Smith, *Wealth of Nations*, vol. ii. p. 151 and 152) is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it. Those who have either, will seldom be in want of the money, or of the wine, which they have occasion for. This complaint, however, of the scarcity of money, is not always confined to improvident spendthrifts; it is sometimes general through a whole mercantile town and the country in its neighbourhood: *over-trading* is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals, whose expense has been

disproportioned to their revenue. Before their projects can be brought to bear, their stock is gone, and their credit with it. They run about everywhere to borrow money, and every body tells them that they have none to lend."

But coincidently with, and partly arising out of the very circumstances which entail a recoil of the speculation, and a consequent increase of the number of borrowers, is the occurrence of a great diminution of the amount of disposable or monied capital. All that part of the *nominal* capital which arose out of the increase of the circulating medium, beyond what the ultimate reference and necessary subsidence to a level with the value of gold, in the rest of the commercial world, could admit of being retained in circulation, is swept away by the process which I have, on former occasions, described. Not only is there a very great diminution of the amount of disposable capital, from this cause, but a further reduction must be allowed for, from the large proportion of persons, bankers and others, who having, in ordinary times, and during the general prevalence of prudence in the conduct of business, confined themselves to the safest and most convertible securities, have been tempted, if not driven by the low rate of interest, into loans on doubtful

or inconvertible securities, and, perhaps, into engagements by which they are themselves brought into the class of borrowers.

Thus, while the demand for capital is increased in a very great degree, the supply of it is diminished, not only relatively to the increased demand, but to the former amount of supply. There can, therefore, be no difficulty in such cases, in accounting for the great rise in the rate of interest. And this process has been strikingly exemplified in the recent state of the money-market*.

* The following extract from a paper published at New York in July last, describing a state of things very similar to that which we have lately witnessed here, and arising from similar causes, may, perhaps, not be uninteresting as an illustration of the foregoing remarks:—

"*The scarcity of money* is probably greater in Wall-street at this moment than it has been for many years; the full explanation whereof, it would perhaps be difficult to ascertain. Some of the causes may, however, be assigned. Among the most prominent, we should be disposed to place that of the many new companies incorporated by the last Legislature. It was assumed as a fact, both by the petitions for these companies, and by the Legislature itself, that a great mass of unemployed capital was lying idle in New York, to which these companies would afford the means of profitable investment and employment. This assumption was, in our judgment, unfounded. We do not believe there was any excess or superabundance of capital; and all calculations, therefore, made on the existence of such were er-

roneous. New companies, however, were chartered, and great demand was created for these stocks—a spirit of speculation was engendered, and men of all descriptions and degrees, were seen striving to get shares in this or that bubble, not with any view to (for most of them had not the means of) a permanent investment; but calculating that, by good management on the part of the directors, and from the craving of the superabundant capital for employment, these shares must rise. Hence persons without any means, or any judgment or knowledge in such matters, became subscribers; borrowing, on the pledge of their shares, the money to pay for them, until, by a repetition of this process, one and the same sum was often made to represent as many times its value as there were new companies. All of a sudden, however, in the natural course of trade, that capital which was deemed superabundant, but which was in fact only awaiting its usual and accustomed modes of employment, is called for—the purchaser of cotton has to pay for it—the importer of goods has to remit, the projector of distant voyages has to prepare his funds. Moreover, receipts from foreign shipments have fallen short of expectation. The adventures round Cape Horn and to the Brazils, in flour, &c., have brought back few or no returns; the markets are glutted—the shipments to the Spanish Main, of dry goods, have been overdone. The pause in cotton abroad has interrupted sales; hence, from all these combined causes, the merchant is thrown upon his resources at home, and the money that had been lent on pledges of stock, is recalled to its natural and proper vocation. But how is it to be repaid? The borrowers of it must sell the stock given to secure the loans. But the very demand for money, for the purposes above enumerated, dampens the spirit and means of speculating in the stocks, and sales cannot be made therefore without great sacrifices. What is the consequence? The holders for the rise make

every possible effort to avoid the necessity of selling; they borrow anywhere and everywhere, and at every rate of interest. They besiege the Banks, the Insurance Companies, and individuals—for they must, at some sacrifice or other, repay what they have borrowed, or their career is up; and it is precisely, as we are informed, among this class of speculators, that the distress for money is most severely felt.

"Another cause, perhaps, of the scarcity of money, and of the extreme unwillingness of the banks to discount, is the disproportion between the specie in bank, and the paper in circulation. It is very—we should say, if censure could be made to bear where it ought—inexcusably great. How this has happened, it would at this moment carry us too far to inquire, though we may attempt it hereafter. The fact, however, is indisputable."

The following extract of a Letter from an eminent merchant in New York, dated 23rd November, is likewise strongly corroborative of my observations respecting the effect produced on the interest by the recoil of extensive speculations:—

"No bill of exchange can be sold here but on credit of two, three, and four months; and such is the precarious state of commerce, that such payments are hazardous in the extreme, and paper discounted at from 1½ to 3 per cent. per month. Failures are consequently daily occurring, and numerous; some, to a considerable amount."

## SECTION II.

**Upon the high and low Prices of the last three Years, and upon the Degree in which these have been connected with the State of the Currency.**

THE phenomena of the high and low prices, which have occurred within the three last years, may be classed under two distinct heads.

The first comprehends those articles of which the rise of price may be clearly traced to a deficiency of supply, arising from the operation of natural or artificial causes, such as the seasons or other casualties in some instances, and in other instances from the more permanent influence of monopoly, as in the case especially of articles of food, this class of commodities still maintaining a high range of prices.

The second comprehends the commodities and other objects of exchange, which, having risen more or less, as a consequence of unfounded speculation, have, in the majority of cases, subsided to, and in some below, the level from whence they rose.

The latter class is that alone, the great variation in the prices of which can fairly be ascribed to the operation of the currency; but it embraces objects of such extent and im-

portance, as fully to account for the alternation of general excitement and despondency, and for the appearances of unbounded commercial prosperity, succeeded by every indication of depression, stagnation, and discredit, which have marked the period under consideration.

That a great part of these fluctuations of prices may be ascribed to the state of the currency, is, *à priori*, to be inferred from principles generally admitted; for the theory of money alone would lead us to expect, in cases where a great alteration in the prices of numerous and extensive classes of commodities or other objects of exchange, cannot be distinctly traced to any adequate difference in the circumstances affecting the supply and demand, that there must have been some corresponding alteration in the amount of the circulating medium. The correctness of this inference *à priori*, admits, in the present instance, of being confirmed by direct evidence of the fact of an enlargement of the circulating medium, sufficiently considerable in point of amount, and coincident in point of time, to account for the rise of prices: while, on the other hand, in the absence of any direct evidence of the relative amount of Bank of England notes, since the fall of prices has occurred, the extensive destruction of the cir-

culation of country notes by the numerous failures and suspensions of the banks, and the depression of mercantile credit, are quite sufficient to establish the fact of a great diminution of the aggregate amount of the circulating medium*.

The directors of the Bank of England, in pursuance of a policy, which, without being beneficial to themselves or the proprietors, is very injurious in its consequences to the public, commonly endeavour to throw a veil of secrecy and mystery over their proceedings. Being called upon in Parliament, during last session, for a return of their issues of notes since February, 1824, the date of the last return made by them, they thought proper to refuse to comply with the request. Parliament having acquiesced in that refusal, it would have been

* Consistently with my main object, of giving practical and detailed proofs in illustration of the points now under discussion, it will be superfluous for me to enter here into the general reasoning, from which it is to be inferred, that no such extensive rise of prices, except in case of scarcity, could take place without an increase of the effective powers of the circulating medium, and *vice versâ*. I shall content myself, therefore, with merely referring, in general terms, to the obvious nature of the grounds on which that conclusion rests, and assume it to be granted.

difficult, if not impossible, to obtain any account of the amount of bank notes in circulation, beyond the very imperfect information given in answer to questions by proprietors, at their half-yearly meetings. But it was, fortunately, discovered, that as the bank was obliged, by Act of Parliament, to deliver to the Commissioners of Stamps, on the 1st of May in each year, an account of its weekly issues, the desired accounts might be obtained through the Stamp Office. Owing to the wording of the order, in the first instance, a return was made only of the averages for the three periods of three years each, ending respectively in April, 1823, 1824, 1825. This return presented the following results :—

| | | |
|---|---|---|
| In 3 years, ending April | 1823, | £. 20,603,548 |
| . . . . . | 1824, | 18,984,499 |
| . . . . . | 1825, | 19,092,005 |

exhibiting a decrease in the two last averages. This circumstance was deemed by most of those who commented upon it at the time, as being conclusive against any imputation upon the bank, of having contributed, by its issues, to the speculations which then prevailed. It was, however, not difficult to see, that the view presented by this return was a fallacious one; for the first average contained more than a year,

and the second a few months, in which the issues of 1*l.* notes formed a considerable proportion, not less, probably, than seven or eight millions; whereas, in the period embraced by the last average, the 1*l.* notes had been called in, and replaced by an issue of sovereigns. The amount of the 1*l.* notes ought to have been allowed for, either as a deduction from the first two averages, or to have been added as sovereigns, after the period when and in proportion as the 1*l.* notes were withdrawn.

The fallacy became evident upon a return from the Stamp Office, in obedience to an amended order for the *weekly* issues. From this document, which was ordered by the House of Commons to be printed, on the 2d of June, 1825, it appears that there was a very considerable increase of the issues during the two years ending April, 1825. The increase is most striking upon a comparison of some particular weeks in corresponding periods of each year: thus, the amount of notes in circulation was,

| | |
|---|---|
| Jan. 4, 1823, . . . . | £. 16,379,530 |
| Jan. 3, 1824, . . . . | 17,230,799 |
| Jan. 1, 1825, . . . . . | 20,756,948 |

But as this difference may be supposed to be accidental, and of a duration insufficient to influence the value of the currency, let us take the

average of the weekly returns for each of the three years, ending April, 1825, *viz.*,

| | |
|---|---|
| April, 1823, . . . | £17,750,473 |
| April, 1824, . . . . | 19,011,575 |
| April, 1825, . . . | 20,881,123 |

After these statements, it is presumed that the fact of an increase in the bank-circulation, of three millions, having taken place in the year ending April, 1825, as compared with the circulation in the year ending April, 1823, will not be disputed*.

I am very far from contending that an extension of the issues of Bank of England notes necessarily operates in raising prices, and eventually depressing the exchanges. Much less that it is, as has been sometimes asserted, invariably accompanied by a corresponding increase in the issues of country banks, and in the circulation of private paper: on the contrary, I have, in my former work, adduced instances to shew that a considerable diminution of country bank notes, and of private paper, and a great fall of prices, have sometimes occurred coincidently with a marked increase of Bank of England notes.

* I have inserted in the Appendix (B), a statement of the monthly averages of the weekly issues for each of the three years, ending April, 1825, as stated in the return from the Stamp Office, dated May 28, 1825.

In such instances it was clear that a reduction of the other component parts of the circulation had taken place in a proportion greatly beyond the increase of Bank of England notes, and that the total of the circulating medium was diminished.

But I had further occasion to shew that if, under circumstances favourable to speculation, and, consequently, to the extension of country bank notes, and private paper, an extended quantity of Bank of England notes were issued, the rise of prices would be so much the greater and more rapid.

It so happens in the instance before us, that the extension of the bank circulation took place at a time, when other circumstances were contributing, in a remarkable degree, to excite speculation, and when, even if the bank issues had remained stationary, there would, in all probability, have been an increase in the general circulation, by means of the country bank notes and private paper.

After the close of 1822, there was a progressive rise in the prices of agricultural produce. This rise may be referred chiefly to the following causes.—

Of corn, the produce of 1822, although very fine in quality, was a bare average in quantity. The glut, which had previously existed, had

been abated by the increased consumption consequent on the low prices; and as the harvest of 1823 was not above, and that of 1824 was rather below an average produce, the stock on hand, which had previously been of extraordinary magnitude, was undergoing a gradual diminution, This circumstance combined with a still increasing population, has brought the monopoly created by the Corn laws into full operation, and a higher range of prices has been the consequence.

Of meat, the rise in price is easily accounted for by the unusually extensive slaughter of cattle and sheep during the great depression of prices three years ago, and by the prevalence of an extensive rot among the latter, in consequence of the extreme wetness of the autumn of 1824, leaving a reduced number to meet the demand*. This rise in agricultural produce afforded the means for an extension of

* That the rise in the price of corn, and of farming stock in general, was the cause rather than the effect of the increase of the issues of the country banks, may, I think, fairly be inferred from the following considerations. While the prices of all other commodities which, without being in deficient supply, rose between the close of 1824, and the first three or four months of 1825, from 30 to 50, and, in some instances, as high as 100 per cent. have fallen in the last three months of 1825, to, or below the level from which they rose; the prices of corn, and of meat, have been

the issues of the country banks; and accordingly it appears from the following official

on the average of the corresponding periods, as high in the latter period as in the former. The comparison will stand thus:—

Aggregate average of the six weeks ending—

| | Wheat. | | Barley. | | Oats. | | Rye. | | Beans. | | Peas. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | s. | d. | s. | d. | s. | d. | s. | d. | s. | d. | s. | d. |
| Dec. 24, 1824, | 63 | 6 | 40 | 3 | 23 | 4 | 38 | 4 | 40 | 7 | 47 | 7 |
| Mar. 31, 1825, | 69 | 1 | 38 | 11 | 24 | 8 | 39 | 7 | 37 | 2 | 39 | 9 |
| Dec. 26, 1825, | 64 | 4 | 41 | 2 | 26 | 8 | 44 | 1 | 45 | 9 | 48 | 10 |

Hence it will appear that notwithstanding the great contraction of the circulation of the whole kingdom during the last six weeks of 1825, the price of all grain, wheat excepted, was higher than even during the great speculations of the first three months of that year. The fall in wheat, since that time, may be accounted for, first, by the admission of between three and four hundred thousand quarters of foreign, which were bonded prior to May, 1822, and by the circumstance of the wheat-crop of 1825 having been both early and abundant. As to barley, it is well known that it was artificially kept down, in order to prevent the ports opening for it in August last, and that the subsequent rise, which admitted the importation, was from scarcity overpowering both that effort and the effect of the contraction of the currency which was already felt.

The prices of the best meat in Smithfield market, as quoted from the *Farmer's Journal*, are as follow, viz:

| | Beef. | | | | | | Mutton. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Highest. | | Lowest. | | Mean. | | Highest. | | Lowest. | | Mean. | |
| | s. | d. | s. | d. | s. | d. | s. | d. | s. | d. | s. | d. |
| Last Quar. of 1824, | 4 | 10 | 4 | 0 | 4 | 5 | 5 | 0 | 4 | 2 | 4 | 7 |
| First Ditto 1825, | 5 | 2 | 4 | 10 | 5 | 0 | 6 | 0 | 5 | 0 | 5 | 6 |
| Last Ditto 1825, | 5 | 4 | 4 | 8 | 5 | 0 | 5 | 4 | 5 | 0 | 5 | 2 |

The

statement, that there had been from that time, to the latest period to which the returns have been made up, a progressive increase in that branch of the circulation.

By an account from the Stamp Office, "of the number of country bankers' notes stamped in each year from 10th October, 1820, to the latest period at which the same can be made up"—the number stamped amounted,

| | |
|---|---|
| In the year ending 10th October, 1822 to . | 2,293,035 |
| ending 10th October, 1823 . | 2,455,731 |
| ending 10th October, 1824 . | 2,935,081 |
| And in the *half-year* ending 5th April, 1825 | 1,716,387 |

According to the proportions here given of the number of notes stamped, and assuming the common calculations, that the total amount in 1822 was about twelve millions, to be correct, the amount in 1825 would be between

The prices have kept up during the greatest pressure of the contraction of the currency, at nearly the same height as they were during the greatest enlargement of the circulation, and are almost as high as they were on the average of the last war. If this statement does not afford a presumption of scarcity, I do not know what can; and I believe that I may appeal to all those who are conversant with country matters, for the notoriety of the fact, that the stock of cattle, and particularly of sheep, has been deficient in the last two years. The probability now is, that the supply will be increased, from the great encouragement held out by the high prices of those two years.

eighteen and nineteen millions, making an increase in the interval of between six and seven millions.

While this rise of the prices of agricultural produce, and the accompanying increase in the country bank circulation, were in progress, several other articles of general consumption became objects of speculation.

In some instances it was found that low prices had induced a rate of consumption beyond the ordinary supply, and that a rise in price was the necessary condition of an increase of production, or of a diminution in the consumption. But until nearly the close of 1823, these speculations were partial, of short duration, and mostly on a moderate scale.

There was still some prevalence of the prudence and caution which had been taught and enforced among the commercial classes, by the reverses and losses which they had so recently sustained. Some attention was still paid to the most obvious elements of mercantile calculation; and although there was an evident tendency to increased speculation, the objects for the exercise of it were selected with a considerable degree of care and sobriety. Goods had been imported or bought in the home-market at the lowest prices, and with a practical knowledge of the actual and contingent supply

compared with the probable consumption; and manufacturers had laid in their raw materials, and erected their machinery on such terms as enabled them to supply both the foreign and home-market with wrought goods at a fair profit.

There was enough, however, of commercial enterprise bordering on speculation, to favour an extended circulation of private paper and credit. In this state of things, any addition to the issues of the Bank of England was evidently beyond the wants of the circulation.

At the commencement of 1824, two new and powerful incentives to speculation came into play. The rapid fall in the rate of interest*, as indicated by the rise of the public securities, and the situation, political and financial, of the South American States, which had virtually established their independence, and of which a recognition, partial indeed, but sufficient

* The fall in the rate of interest may be seen from the following comparative statement of the price of the 3 per cent. consols (exclusive of the accruing dividend,) and of the premium on exchequer bills:—

| | 3 per cent. Consols. | Prem. on Exchequer Bills. |
|---|---|---|
| April 3, 1823, | 73¼ | 10 to 12 |
| July 1, —— | 80⅞ | 21 to 24 |
| Oct. 3, —— | 82½ | 37 to 40 |
| Jan. 1, 1824, | 86 | 51 to 53 |
| April 2, 1824, | 94¼ | 56 to 58 |

for commercial security, had been made by the government of this country.

The fall in the rate of interest, which was, to a certain extent, the effect of the increased issues of paper, became, in its turn, a cause of speculation, and thence of a further increase of the circulation, by the facilities which it afforded for the use and abuse of credit. The rise of the funds had allowed a great profit on the subscriptions to some of the new insurance companies, and other schemes. It had also operated in raising the premium on several of the South American and other foreign loans.

These causes, combined with those which have been before alluded to, were in operation, subject only to occasional and trifling reaction through 1824; and were sufficient to render the circulation excessive, without any increase in the amount of the Bank of England issues. Indeed, the tendency to excess in the circulating medium, and to an exportation of the precious metals, was already indicated by the shipments of bullion to South America which were in the course of being made in the Spring of 1824; and although the exchanges with the continent of Europe did not apparently yield a profit on the export of gold until July of that year, there is reason to believe that there were some operations which kept up the ex-

changes by the transmission of gold, when an attempt to have remitted the amount in bills might have caused a great and alarming depression.

Unaccountable as it may seem, the Bank of England, instead of taking warning from the indications of pre-existing excess, actually increased its issues in July of that year.

The amount of Bank of England notes in circulation in

| | | |
|---|---|---|
| January, 1824, - - | was - - | £. 19,800,615 |
| July, - 1824, - - - - - - | | 21,660,973 |

But it was reserved for the first three or four months of 1825, to display to the fullest extent the effects of an increased issue of Bank of England notes, coinciding with circumstances favourable to speculation.

The close of each year is the period at which, by annual custom, the stocks of goods on hand and the prospects of supply and consumption for the coming season, are stated and reasoned upon by merchants and brokers, in circular letters addressed to their correspondents and employers. By these circulars it appeared that, of some important articles, the stock on hand fell short of that at the close of the preceding year. From this, the conclusion was more or less plausibly deduced, that the rate of the annual

consumption of those articles was outrunning the rate of the annual supply, and that an advance in price ought to take place; at the same time there were, as in the case of cotton and silk, confident reports of failure of crops, or other causes, which would inevitably diminish the forthcoming supply. Expectation of scarcity was thus combined with actual deficiency in exciting the spirit of speculation. This was directed, in the first instance, to the articles which, upon fair mercantile grounds, justified and called for some advance in price, inasmuch as the rate of the consumption of them had outrun the average rate of supply. The rise, however, which would have been requisite to increase the supply, or to diminish the consumption, would, in most of the cases in question, have been trifling.

'But, when speculation is once on foot, with a circulation of the expansive nature of ours, the rise of any one article may not only be in a ratio far greater than the occasion really calls for, but by increasing the aggregate of the circulating medium, may cause indirectly a rise in other commodities.

The impulse, therefore, to a rise being given, and every succeeding purchaser having realized, or appearing to have the power of realizing, a profit, a fresh inducement appeared at every

step of the advance to bring forward new buyers. These were no longer such only as were conversant with the market: many persons were induced to go out of their own line, and to embark their funds or stretch their credit, with a view to engage in what was represented to them by the brokers as a certain means of realizing a great and immediate gain.

Cotton exhibited the most extraordinary instance of speculation carried beyond all reasonable bounds. Silk, wool*, and some other

* It is the more worth while to notice the speculations in silk and wool, because some of the consequences of those speculations have been the pretence for calling in question the soundness of the policy of the commercial measures which have been brought forward by the president of the Board of Trade. The complaints of those who arraign the policy in question, are not, however, exactly alike in every particular as regards the two articles. But on one point they agree, viz., in considering that the excessive importations of these articles, which have contributed to depress the exchanges, were the effects of the reduction of duty. Now I am inclined to believe that no part of the excess of importation can be ascribed to the reduction of duty. The detailed reasons for that opinion would be here misplaced, as not immediately bearing on the subject under discussion in the text. One remark, however, is obvious, and, at the same time, decisive, on the question, and that is, that a still greater excess of speculation and consequent importation has taken place in cotton, in which there was no alteration of the import duty. The same re-

articles, in which some advance was justified by the relative state of the supply and demand, became the subjects of a speculative anticipation, and advanced much beyond the occasion,

mark applies to other articles which are now very low, such as tallow, flax, timber: on none of these has any alteration of duty taken place; on the other hand, the importation of hemp, on which the duty has been reduced 50 per cent. has been much smaller in this last season, than on the average of the three preceding years. With regard to silk, independently of the charge brought by those who object to the reduction of duty on the raw material, that it tends by inducing excessive importation, to depress the changes, the manufacturers complain of the depressing effects produced upon the vent of wrought silks, by the anticipation of the admission of the foreign manufacture in July next, at a duty of 30 per cent. If stagnation and depression were peculiar to the trade in manufactured silk, and could not be distinctly traced to other causes, the complainants might have, at least, a plausible ground for considering the impending foreign competition as the cause of that depression, although this would form no sufficient ground for continuing to tax the consumers of silk, for the benefit of the manufacturers. But how happens it that the same stagnation and depression exist in cotton, linen, woollen, and other manufactured goods, in which there can be no such dread of foreign competition? Is not the same sufficient cause applicable to them all, viz., the excessive importation consequent upon the previous speculative advance of prices? Excessive importation has produced a decline of the raw material, and this again of the manufactured article. The depression in the silk trade is perfectly accounted for by this general cause.

as the event proved, though not in so great a degree as cotton.

Speculative operations embracing so many commodities of great importance in point of amount, necessarily created a large mass of paper, and of transactions on mere credit; thus adding to a circulation already swelled by the increase of country bank notes. Such were the circumstances under which the Bank of England issued, and for some months maintained in circulation, an increased amount of its notes.

Although this increased issue by the bank, as I shall have occasion to shew more particularly hereafter, did not alone cause the great additional excitement of the spirit of speculation which followed it; yet it gave a fresh and powerful stimulant to that spirit, and assisted in converting incipient delusion into absolute insanity. For never did the public (that part of it at least which entered into the vortex of the operations in question) exhibit so great a degree of infatuation, so complete an abandonment of all the most ordinary rules of mercantile reasoning since the celebrated bubble-year 1720, as it did in the latter part of 1824, and in the first three or four months of 1825.

The speculative anticipation of an advance was no longer confined to articles which pre-

sented a plausible ground for some rise, however small. It extended itself to articles which were not only not deficient in quantity, but which were actually in excess. Thus, coffee, of which the stock was increased, compared with the average of former years, advanced from 70 to 80 per cent. Spices rose, in some instances, from 100 to 200 per cent., without any reason whatever, and with a total ignorance on the part of the operators, of every thing connected with the relation of the supply to the consumption.

In short, there was hardly an article of merchandise which did not participate in the rise. For it had become the business of the speculators or the brokers, who were interested in raising and keeping up prices, to look minutely through the General Price Currents, with a view to discover any article which had not advanced, in order to make it the subject of anticipated demand.

If a person, not under the influence of the prevailing delusion, ventured to inquire for what reason any particular article had risen, the common answer was, "Every thing else has risen, and therefore this ought to rise."

The comparative statement of prices in the Appendix (F), will exhibit the most striking instances of this extraordinary rise.

While such were the transactions in the market for goods, and while there was an extension of the system of loans to the Transatlantic States, some of them affording little or no security, but almost all coming out at a premium, an enlarged field was presented for the spirit of gambling to enter upon. New mining, insurance, and other schemes, were set on foot on the principle of joint-stock companies, in immense numbers.

The earliest South American mining associations formed in this country, had been entered into with considerable circumspection; the parties with whom they originated, had, by local information and connexion, secured comparatively beneficial contracts and priority of the working of some of the most productive mines. These apparent advantages being made known, attracted numerous persons to buy shares from the original subscribers at a progressively increasing premium. The great gains, or rather premiums in anticipation of gains, thus obtained by one or two of these associations, held out an inducement to the formation of new ones.

It is well known how numerously mining and other joint-stock companies sprung up, and how successful they were for some time in catching and turning to account the disposition

for hazardous adventure which pervaded the nation.

The operators on the share-market made the new schemes the basis for an enormous extent of gambling. Many persons, quite removed from all connexion with business, retired officers, widows, and single women of small fortune, risked their incomes or their savings in every species of desperate enterprise. The competition and scramble for premiums in concerns which ought never to have been otherwise than at a discount, were perfectly astonishing to those who took no part in these transactions.

These operations in shares had an effect like that of the speculations in goods, in adding to the mass of the circulation of paper and credit; and this, be it still kept in mind, concurrently with the addition which had been made to the Bank of England issues.

It is not possible to compute, with even any approach to accuracy, the amount of the addition to the total of the circulating medium by these united causes; but if I were called upon to hazard an estimate, I should conjecture that the whole amount of the circulating medium, including transactions on credit without the intervention of paper, must have been, on the average of the four months, ending April, 1825, little, if at all short of fifty per cent. above what

it had been in the corresponding period of 1823. The approximation of this estimate to the truth is rendered probable, by the consideration, that upon the principles which determine money prices and nominal values, such a general rise of prices, amounting, in some instances, to upwards of 100 per cent., without even the allegation of any general scarcity, could not have taken place without an immense expansion of the circulating medium. It is also to be considered, that the greater part of the transfers of the original shares in the foreign loans, and new schemes, while the payments on them were light, and while confidence was still entire, were carried on by a medium engendered in a great degree by those very transactions; and that the profits realized or anticipated by the successive shareholders, afforded a fund of additional credit as well as of nominal capital, with which they might and did appear as purchasers of other objects of exchange.

This sort of medium comes under the description of what is familiarly and expressively denominated a *bubble*, which bursts upon the test of metallic value, or of ultimate payment in the basis of the currency being applied to it. But it does not the less, while it lasts, add to the mass of nominal values and exchanges; nor are the fluctuations arising out of it less real

in their influence upon the fortunes of individuals, than the fluctuations arising out of business more strictly mercantile.

Thus far, then, as to the enlargement of the currency in part caused by, and in part causing, a high range of prices.

We now come to that which has constituted the main feature of the fluctuations which are the subject of the present investigation—*the fall of prices.*

It was perfectly clear to any person not possessed by the mania which prevailed last spring, that there was no solid foundation for the general rise of prices which had then occurred, and appeared to be still in progress.

From the information which had been communicated to me by Mr. Jacob, as stated in the Supplementary Section to my last work, it appeared that there had been a great falling off in the annual supply of gold and silver from America. The fact had since been fully confirmed by official accounts of the coinage of the mint of Mexico down to the close of 1823; and, by an official report from the great mining district of Guanaxuato, which stated both the fact, and the cause of the diminished produce of the metals, *viz.*, the abandonment of the principal mines. Now the reduced produce seems to be little, if at all, more than may be considered to be

sufficient to supply the consumption for plate, ornaments, *&c.*, and the wear and loss of the coin; so that there was no ground for inferring that any diminution of the value of gold and silver could have yet occurred. On the contrary, there was reason to suspect, from the considerations above mentioned, that the greatly-diminished production since 1810, compared with that of the corresponding antecedent period, must have left a chasm in the aggregate supply, which could hardly fail of being felt in a lower range of metallic prices than had been experienced for many years, before it could be counteracted by the increased produce of the metals, which may be anticipated from the mining projects now on foot. It might, moreover, have been perceived, that as the prices of food abroad, and of most other articles which were not interchangeable with this country, and consequently not affected by any speculative demand from hence, were not higher than they had been for some time before, and in several instances not so high; a still stronger presumption was afforded of the probability of an increased rather than diminished value of the metals in the rest of the commercial world. Upon this view there could be little doubt that the rise of prices, in every case in which it could not be distinctly accounted for and justi-

fied by scarcity, was delusive, and must have been connected with excess of paper. It was evident that this excess of paper could not be retained much longer while subject to the check of convertibility; and that when the efflux should take place, the great contraction of the currency which would ensue, must inevitably entail a fall of prices to, or possibly below, the level from whence they had risen, accompanied with great commercial reverses, and with every appearance of gloom and depression, succeeding to the excitement and apparent prosperity which had marked the preceding twelvemonth.

How correct this antecedent reasoning was, has been proved by the event. The process by which the fall has taken place is simple and obvious.

As applied to goods—an overwhelming importation and consequent accumulation of stock, and, at the same time, a diminished export; most articles having risen beyond the price which the foreign consumer could pay for them.

As applied to the funds, or public securities, of this country—a rise in the rate of interest, occasioned by circumstances which have been already explained.

As applied to shares in the new schemes—a more accurate appreciation of a greater outlay

and of smaller returns than had been before anticipated, and a limitation of the demand for investment in them to such persons only as could afford to depend upon remote contingencies for an income: above all, a general deficiency of means among the subscribers to pay up the succeeding instalments, as they relied, for the most part, upon a continued rise to enable them to realize a profit before another instalment, or upon the same facility as had before existed, of raising money for the purpose at a very low rate of interest.

As applied to foreign loans—the absence of security for some of them, and the rise of the rate of interest in this country, which has the same depressing effect upon all of them.

In these, and in all other cases, in which a great reduction of nominal value has taken place, an inversion of every step, by which it has been shewn, that the rise of prices and the fall in the rate of interest, became both the cause and the effect of the great enlargement of the circulating medium, will account for a fall of prices and a rise in the rate of interest, as being both the cause and the effect of the contraction of the circulating medium.

There is another circumstance which always attends a great fall of prices, and which tends, for a time, to reduce the circulation of private

paper, even below the amount which existed before the factitious rise, *viz.*, commercial failures, which, when occurring to a great extent, occasion a general distress, and difficulty in obtaining credit, even in the course of ordinary mercantile business *. This is the natural and necessary effect of the reaction from a previous speculative rise of prices, which had been accompanied by an enlargement of the circulation, through the medium of mercantile paper and credit. But in the present instance, the contraction of the currency has been aggravated by the peculiarly slender means with which a great part of the private banking establishments in England have been conducted. The issues of many of these banks had been enormously extended, without any adequate reserve of available funds to meet such sudden demands as it is of the very essence of the principles of banking to contemplate and provide for. It appears, by the disclosures arising out of the late disastrous and unprecedentedly numerous failures, that several of the banks had been for some time before, insolvent,

* It is this effect of a fall of prices, which sometimes admits (and has done so in the recent fall) of the Bank of England keeping up the amount of its issues consistently with a recovery of the exchanges.

and had been kept afloat merely by the confidence of their customers, and the facilities of the money-market, which had accompanied the increase of the Bank of England issues during the high prices. The first breath of suspicion, and the smallest reduction of their accustomed accommodation was sufficient to sweep away this description of circulation of paper. It has been discovered, moreover, that several of the country banks, which were solvent, as far as related to the power of eventually liquidating their engagements, had not been conducted on correct banking principles, having either no reserve at all, or a very inadequate one in an available and immediately convertible form.

Some, too, of the London banks had carried on an extensive business with very insufficient available resources, and were, therefore, liable to be run upon on the occurrence of any general discredit. One of the most considerable of these, after struggling through difficulties for upwards of a week, stopped payment early in December. The notoriety of these difficulties in the first instance, and the eventual failure, diminished the resources of the country connexions of this firm, and such of them as had not independent ample and immediately-convertible funds, were under the necessity

of suspending their payments; thus adding to the alarm which was already prevalent. The consternation now became general, not only among the holders of local notes, but among depositors, as well in the metropolis as in the country. There was, in consequence, a severe run upon several of the London bankers, of whom three or four, besides the one before alluded to, suspended their payments. The panic was then at its height; nearly seventy banks, in town and country, suspended their payments in the course of the single month of December last. Bank of England notes and gold were almost the only medium which would then be accepted in payment throughout the country; but Bank of England notes, where even they were taken as readily as gold, could not supply the chasm created by the discredit of the local paper, since the bank had ceased to issue one pound notes; gold, therefore, was required specifically for this as well as for the more general purposes of meeting the demand from want of confidence in the paper. The drain upon the bank coffers for gold, for internal purposes, was, from these causes, so great, that, following a previous drain for exportation, doubts were entertained whether cash payments could be continued. Happily, the public

escaped the calamity of a second suspension. The contraction which had taken place in the circulating medium, by the destruction of nearly all the country paper, and the cessation of almost all transactions on credit, and the detention of sums for the purpose of increased reserves by bankers and others, was greater, perhaps, than had ever before occurred, notwithstanding that an enlarged issue of Bank of England notes had been made through the medium of extended discounts of mercantile bills; and this contraction was at length effectual in occasioning an influx of gold sufficient to place the bank out of immediate danger. In the mean time it had issued a few one-pound notes, to supply the urgent wants of the country circulation.

Under the circumstances which I have here very hastily and imperfectly sketched, a melancholy exemplification has been afforded of the mode in which extremes produce their opposites; in which unbounded confidence, and all the delusion of unfounded anticipation, have been succeeded by distrust and dismay.

To the great facility which only a few months before had been experienced by speculators, projectors, and adventurers of every kind, in raising whatever sums they might require at the shortest notice, and at a low rate

of interest, on securities of goods, on mortgages, or on bills of whatever length of date, or on mere personal credit, the most signal contrast was exhibited, of an utter inability to raise money upon any but the best and most convertible securities. Goods became unsaleable, beyond the immediate and urgent wants of the consumers, so that the stocks which are usually held in anticipation of demand, were wholly unavailable to meet the pecuniary engagements of the holders. Thus, many merchants having accepted bills for only half the invoice amount of wool, cotton, and silk, coming to their consignment, were unable to realize even that half by sales, or by advances on the security of the bill of lading: and not only no further advances could be obtained by way of loan on the security of goods, but the advances already made were peremptorily called in. Advances on mortgage, owing to the usury law*, were

* The operation of the usury law may be distinctly traced in a great aggravation of the distress among merchants and bankers during that critical period. Had it not been for that preposterous law, many individuals would, in all probability, have been enabled to obtain immediate relief, by getting bills, which were not within the bank time, discounted at seven or eight per cent.; but those who would have lent on that kind of security, if not limited to five per cent., naturally directed their disposable capital to such modes of invest-

wholly out of the question. From the same cause, *viz.*, the value of the use of monied capital having risen beyond the rate of five per cent., which has been imposed by law as the maximum, no bills, however good in point of security, were convertible, which had longer to run than ninety-five days, and which did not come within the forms prescribed by the bank, as the rule of its discounts. The different shopkeepers, retail tradesmen, and small farmers, having taken in payment, in the course of their dealings, the notes of the country banks which subsequently failed, were prevented from making their payments within the stipulated periods, to the manufacturers and wholesale dealers; and these, consequently, were unable to fulfil their engagements, or discharge their acceptances to the importing merchants:

It would be an endless task to attempt to

ment as admitted of their realizing a larger interest without coming under the operation of that law. Thus numbers who would gladly have given an advanced rate of eight or ten per cent., were driven by an enactment which was absurdly intended as a protection to them, to sell stock or goods at a loss of twenty or thirty per cent. for cash, compared with the price for time. For it is a matter of notoriety that extensive sales were actually made of stock, at that difference; and it is within my own knowledge that sales of goods for immediate money, were made at a still greater sacrifice.

follow all the steps by which disappointment and loss and insolvency, have, at the close of 1825, followed the brilliant hopes, the reputed gains, and the unlimited credit, which characterized the early part of the year. Suffice it to say, that these contrasts, inadequately as they are here exhibited, serve to illustrate the process, by which, I have endeavoured to shew, that the factitious increase of a medium of paper and credit, raising the prices of commodities and of the public funds above the level which the metallic basis of the currency can support, must be succeeded, not only by a destruction of all that artificial medium, but by a temporary contraction of the circulation below the level from which that enlargement took place.

## SECTION III.

Upon the Regulation of the Bank Issues.

From the cursory view which I have given of the circumstances connected with these fluctuations, I am inclined to think that there were causes in operation, which, without any increase in the amount of Bank of England notes, would have created a speculative rise of prices, above the level which the proportion between the supply and the rate of consumption really warranted. There might likewise have existed some part of the disposition to hazardous adventure, which has been exhibited in the forming of new projects, and in the trade in shares.

Fluctuations, to a greater or less extent, are inseparable from the course of commercial affairs. The business of production, or supply, proceeds wholly upon anticipation; it is dependent on the seasons, and on an endless variety of casualties; while consumption, or demand, may be influenced by changes of habit, fashion, legislative enactments, and by political events. The contingencies which may excite a spirit of speculation and enterprise on the one hand, and disappoint expectation and defeat calculation on the other, are therefore almost innumerable.

But assuredly that is a most vicious system of currency, which instead of mitigating, aggravates the evils that attend all violent fluctuations. Such, however, has been the system of our currency. We have seen that precisely at the time at which there ought to have been a contraction, there was an extension of the Bank of England issues, increasing, both directly and indirectly, the mass of the circulation, and promoting the extravagant speculations which have so distinguished the period under consideration. Seeing this, we are naturally led to inquire upon what system the directors have proceeded, in enlarging their issues coincidently with a tendency, from other causes, to a speculative rise of prices; when such an enlargement of the circulation would necessarily extend the range of the rise, and by entailing the necessity of a contraction, would increase the violence of the ultimate fall.

The constant language of the bank directors, during the restriction, as appears by their evidence before the Bullion Committees of 1810 and 1819, was, that the criterion by which they judged of the proper amount of their issues, was the greater or less demand for discount, upon *bonâ fidé* bills, at the legal rate of interest, viz., five per cent. Consistently with this criterion, the inference is clear, that

when, even after a reduction of the rate of the bank discount to four per cent., there was a very small demand for discounts, and the market-rate of interest was declining, the circulation might be considered as sufficiently full, and that, if it did not require contraction, it did not at least admit with propriety of increase.

There was, however, not only an absence of demand for discounts at five, or even at four per cent., but there were other general appearances, which I have before alluded to, of a fulness of the circulation of paper. These appearances which might have given rise to suspicion and precaution, on the part of those who had the regulation of the main sources of the supply of paper, were converted into a certainty in 1824, and the first three months of 1825: and yet this last period was, as we have seen, that in which the utmost extent of issues was maintained.

It may, however, be said, that the price of gold ought to be the only guide to the directors in regulating their issues; and judging by this test, the price having been mostly at 3*l.* 17*s.* 6*d.*, and never having exceeded 3*l.* 17*s.* 10½*d.*, it may be said that there has been no symptom of excess. But those who urge this objection, neglect the consideration that, since the passing of Mr. Peel's bill, which

has removed all obstruction whatever to the exportation of coin, the market price *cannot* exceed the mint price of gold, as long as the bank is solvent, for so long will coin be demanded from the bank in preference to buying bullion at the smallest advance upon the mint price of 3*l.* 17*s.* 10½*d.* per ounce. It was only the legal disqualification of the coin for purposes of export, or injudicious purchases by the bank, which could, before 1797, have admitted of bullion being sold above the mint price.

The only test of excess, therefore, is the tendency to an efflux of the metals; in other words, the exchanges.

I have before stated what were the indications of the exchanges in the spring of 1824. I have mentioned that an efflux of the metals to South America was then taking place, and that there was reason to believe that several remittances of bullion had been made to the Continent, even whilst the exchanges were nominally at, or above, par; but in July, 1824, there was a considerable decline in the Continental exchanges, and an evident efflux of gold. Here, then, was a warning not to be mistaken, even supposing the amount of the circulation justifiable down to that time. But instead of attending to this infallible cri-

terion of excess, the directors made, at that precise time, the great increase to their issues, compared with the preceding January, which has been stated in the previous section, when a drain upon their treasure had actually begun.

Down to the beginning of April, 1825, the period to which the latest returns of the Stamp Office reach, there was no diminution of bank notes in circulation. The comparative amount stood thus:—

| | |
|---|---|
| April 5, 1823, . . . . . | £16,845,840 |
| April 2, 1825, . . . . . | 20,328,979 |

Even in March last some of the evils which were impending, and have since burst upon us, might have been averted. A resolute reduction of the bank circulation, and an advance of its rate of discount to five per cent. might, at that time, have done something at least in putting the country on its guard. Such a contraction might, indeed, have hastened the fall of prices, but it would have prevented, or at least abated, the further efflux of gold, and the necessity for so great and violent a contraction of the circulating medium, as has since taken place. A diminution of the bank issues, was, moreover, called for at that time, merely as a measure of precaution against the contingency of a bad harvest, which, by opening the ports for corn,

would inevitably by itself have occasioned a great drain on the bank coffers. But the directors seem not to have been aware of the possibility of danger, until they were on the brink of the precipice.

It still remains that we should inquire more accurately into the views which could induce the bank directors to extend their issues at such a time, and under such circumstances.

In all the cases of over-issue by the Bank of England, from that of the year 1795, (which may, I think, be clearly proved to have been the remote cause of the inability of that body to meet its engagements in 1797) down to the time of the passing of Mr. Peel's bill, one or other of two pleas, has always been studiously put forth, not only as a justification, but as a claim of merit. One of these pleas is, that the bank has aided the public service by advances to government, when the state of credit, or a pressure on the money-market, rendered a resort to open loans, for the whole of the government expenditure, inexpedient. The other is, that accommodation has been afforded to trade by a liberality of discount, when the mercantile interests had no other resource to rely upon. On neither of these grounds could any extension of issues, beyond the amount which was consistent with

preserving the conformity of the paper to its standard, be justified.

But in the recent instance of the extended issues, in 1824 and down ot the spring of 1825, no plea of state necessity, nor any pressing demands for accommodation to the trade of the country, can be urged in defence of the measure.

It may be true, that the arrangement for the disposal of the military and naval pension annuities could not have been carried into effect without the intervention of the bank, and that the conversion of the four per cents. into three and a half per cents. was facilitated by the bank undertaking to advance to government between five and six millions of the four per cents. paid off in October, 1824, which the holders would not convert into three and a half per cents., to be repaid out of the sinkingfund. How far the latter of these measures was justifiable, if it could not be carried into effect without the assistance of the bank, through an increased issue of its notes, may fairly be questioned. It was not, however, so likely as the former, to entail a permanent addition to the circulation, although whatever addition was made, in consequence of that operation, could hardly fail of being injurious.

It is the former measure, the purchase of the pension annuities, which seems, as far as

can be judged of it, to have been the occasion of great part of the over-issue. Now, surely, if the bank directors had refused to hazard an excess of issues, which would not be readily within their own control, in order to facilitate that most absurd financial measure, their objections could hardly have been overruled by an appeal to the pressing exigencies of the state: and the public could hardly have thought that it would suffer much loss by the bank refusing to take any part in the operation, even although, by such refusal, that notable scheme which was neither more nor less than a virtual inversion of the operation of the sinking-fund, had dropped to the ground. Indeed, it is difficult to suppose that ministers, committed as they are, and sincerely disposed as I believe them to be, to the preservation of the currency on the footing of strict convertibility, would have ventured to overrule objections, which might have been derived from a view to the danger, however remote, of being obliged to have recourse to a second suspension of that convertibility.

The true reason for the enlarged issues I suspect to have been, that the coffers of the bank were, at that time, (the beginning of 1823,) surcharged with gold to an inconvenient amount, greatly reducing the profits, and rendering doubt-

ful the permanence of the existing rate of dividend on bank stock. To extend its paper, and diminish its stock of gold, the following means presented themselves:—

1. To buy exchequer bills in the market.

2. To reduce the rate of mercantile discount.

3. To adopt new modes of accommodation to individuals, in order to induce them to borrow at 4 per cent.

4. To purchase the pension annuities, of which the project offered itself at that time.

The first of these means held out no sufficient inducement; the rate of interest on exchequer bills, after the payment of the premium, being little above two per cent. per annum. Besides, as the bank then professed not to sell exchequer bills, they did not form a readily convertible security; or, if sold, the very emergency requiring the sale might occasion a difference in the premium or an actual discount sufficient to defeat the object of getting *any* interest.

The second was tried by a reduction of the rate of discount from five to four per cent.; but this reduction taking place after the current rate had fallen still lower, was attended with little, if any, extension of application for discounts. The experiment of a still further reduction might, indeed, have been made, but in order to make it effectual, it might have been

necessary to push the reduction to a very low rate, which could only have been done with safety, by coupling the measure with a notice to the public that the rate would in future be subject to frequent variation.

But a variable rate of interest would have been very unpalatable to such of the directors as stood committed, by their evidence before the Bullion Committee, to opinions of a very peculiar description, relative to the rate of interest; opinions quite irreconcilable with a measure of this kind, and it was probably, therefore, never suggested, and much less even seriously entertained.

The third was adopted by the resolution to advance money on stock, and on mortgage, at four per cent. The advance of money on stock was unobjectionable, if coupled with a limitation as to the amount to be advanced to any individual, (such limitation being expedient, for reasons similar to those for which the amount of bills discounted by the bank for particular houses, is limited,) and also with a limitation of time for the repayment. But this mode was not likely to lead, nor did, in fact, lead to any great extension of bank paper, as long as the market-rate of interest was below four per cent.; and soon after the market-rate rose above four per cent. the practice was discontinued.

The advance of money on mortgage was a measure altogether unjustifiable. The governor stated, on the 22d of September last, that the amount so advanced did not exceed £1,400,000. This amount however, inconsiderable as it may seem, forms no small proportion of that part of the bank circulation, which, being over and above the advances to government, was that alone, through the medium of which it could conveniently regulate its issues. To render this amount, therefore, likewise inconvertible, was at variance with every sound principle of banking.

The fourth, combining the amount of advance to which it pledged the bank *, with its imper-

* Advances made by the bank against an annuity of 585,740*l.*, bought by them on the 27th March, 1823, being part of 2,800,000*l.* per annum, for forty-four years, in names of commissioners, for defraying the charge of naval and military pensions, as per Act passed 1822.

| | | | |
|---|---|---|---|
| 1823. | April 15, | £885,719 | Annuities received in half-yearly payment:— |
| | July 15, | 1,225,000 | |
| | Oct. 20, | 67,870 | 1823. Oct. £292,870 |
| 1824. | Jan. 15, | 1,175,000 | 1824. April, 292,870 |
| | April 15, | 67,870 | Oct. 292,870 |
| | July 15, | 1,175,000 | 1825. April, 292,870 |
| | Oct. 20, | 27,870 | Received, 1,171,480 |
| 1825. | Jan. 15, | 1,135,000 | To receive up to July, 1828, 1,757,220 |
| | April 15, | 27,870 | Total Receipts, £2,928,700 |
| | July 15, | 1,130,375 | |
| Payments to July 1825, | | 6,917,574 | |
| To pay, to July 1828, | | 6,171,850 | |
| Total payments, | | 13,089,424 | |

fect convertibility*, was the most objectionable of all the modes enumerated; but as it appeared to facilitate the attainment of the immediate objects in view, it was too tempting to be resisted. It presented the means of investing a large sum at a rate of interest somewhat beyond the market-rate; and it enabled the

* It has been said, in favour of this purchase, that the annuities were saleable, and that, according to the prices of other annuities, they might have been sold at a profit soon after they were taken by the bank. But those who urge this justification, do not consider that all speculative purchases, if made to a large extent, raise the market, and appear to afford the means to the speculators of realizing a profit: it is only, however, their own purchases which produce the rise, and the moment that they attempt to realize, particularly if they have bought on credit, they most commonly find that they must submit to a loss. If the bank had offered the annuities for sale, with a view to contract its issues, the very first step towards that object would have counteracted itself. The extended issue produced the rise in price; a contraction would, of course, depress it. If, however, they were readibly convertible, why were they not sold, when it is contended that they might have been, and when it had become evident that the payments for them were likely to lead to an enlargement of issues beyond what the circulation could bear? The alternative, therefore, is clear, that either the purchase was objectionable, for the reasons which I have stated, or that the purchase having been made, the annuities ought to have been sold with a view to prevent the pressure of advance which has since been so inconveniently felt.

bank to extend its issue of paper, and thus to get rid of its surplus gold without resorting to such a reduction in the rate of discount as would have been requisite to accomplish the same object.

Even if it had been in this view a desirable investment, the precaution ought to have been taken as soon as the increased issues for payments upon the purchase produced an unfavourable effect on the exchanges, to have re-sold the annuities, or to have raised the rate of discount as a means of withdrawing the redundant paper. Indeed, in as far as relates to a regulation of the issues on correct principles, the rate of discount ought to have been earlier reduced, and again earlier raised.

One of the great difficulties which the directors have experienced in the regulation of their issues, has arisen from the uniformity of the bank rate of discount, while the market-rate of interest has been subject to frequent and sometimes great variations. The consequence of this has been, that when the market-rate has been above the rate charged by the bank, the applications for discount have been so numerous and urgent, that the issues through that medium have tended to an excess; while, on the other hand, when the market-rate has fallen below the bank-rate, the channel for

keeping up the circulation of paper through the medium of discount, seems almost wholly to have failed. Thus, before the restriction on cash payments, the range was from $3\frac{1}{2}$ to $\frac{1}{4}$, according to the scale which is inserted in the Appendix*. And, during the restriction, the amount of discounts is known to have

* The amount of discounts, as well as of the cash and bullion in the coffers of the bank, has hitherto been studiously kept by the directors from the view of the public. They were, indeed, obliged to furnish to the Parliamentary Committees in 1797, 1810, and 1819, some data upon which to form an opinion of the degree of variation which had occurred under the above heads, but this information was given in as mysterious a form as possible; viz., that of a scale. The scale which was given in to the Lords' Committee of Secrecy in 1797, transpired and appeared in some of the newspapers of that period. In the *Monthly Magazine* for October 1797, that scale was published, together with a key by which it was solved. The reasoning from which that key was derived seems to be conclusive. At any rate the solution must be so near the truth as to be sufficient for all purposes of general inference. The statements connected with this scale were copied into Mr. Allardyce's book on the Bank Affairs in 1798, and I have not, on any occasion, heard their general correctness called in question: I, therefore, assume that they are accurate in the main, and as I have occasion in the course of this discussion to refer to them, I insert them in the Appendix D., with an additional table, in which I have applied that key to the solution of such part of the scale as was not already computed into money.

varied very considerably. In 1810, the notes issued through that medium, must have formed a very large proportion of the whole circulation: while there is reason to believe that they fell off in 1817 to a most insignificant amount. It must be evident, therefore, that unless there was a compensation in the amount of the bank issues through other channels, than those of advances to individuals by way of discount or loan, there must occasionally have been an enormous variation in the amount of the circulation of its notes. The only other channels are those of advances to government, (or what would come to the same thing, the purchase of government securities) and the purchase of bullion. Supposing therefore that the advances to government, or repayments from it, do not coincidently in point of time, counterbalance in amount the great occasional variations of the amount of issues through the medium of discounts, there must be a corresponding variation either in the amount of notes in circulation, or in the amount of treasure in the coffers of the bank.

But, it has so happened that, in some instances, the advances to government, and the repayments by it, instead of being in compensation of the opposite tendency of the amount of issues through the medium of discount, have

been in the same direction: and that it should be so, in the majority of instances, is obvious; because, when the market-rate of interest is high, there must be an increased disposition on the part of government to apply to the bank for accommodation; as, on the other hand, when it is low, to take the opportunity of paying off previous advances. The only mode of obviating the inconvenience hence arising, and of regulating the circulation upon correct principles, would have been by frequent, and sometimes, great alterations in the rate of discount.

Of this influence of the market-rate of discount compared with the rate charged by the bank, on the amount of its issues, the directors appear not to have been aware; or, if aware, not to have acted upon that conviction. From 1820 to 1823, by keeping the rate of discount above the market-rate, they so reduced the amount of their issues through that channel; that, as has already been observed, they experienced a great and inconvenient accumulation of gold, for, in fact, they had no other medium than the purchase of bullion for keeping up the numerical amount of their circulation. Then, and not till then, when the accumulation was nearly as great as it could possibly be, and when the market-rate of interest had fallen

considerably, did they take any measures for reducing the amount of their treasure: But they seem to have been perfectly unconscious of the violent effect which the measures they did take, were, under the circumstances, calculated to have upon the rate of interest; and not to have known that when the influx of the metals had already reached such a height, there was some danger, lest in applying a great force to prevent more of them from coming in, they might not only overpower any tendency to a further influx, but occasion too strong a tide in an opposite direction.

There is, in the situation of the Bank of England, in 1789 and 1790, and the measures then adopted, and the consequences of them, so great a degree of similarity to the more recent state of the circulation as connected with that establishment, that it may be desirable to notice one or two particulars relative to that period.

The advances of the bank to government had been reduced from nearly ten millions in 1782, to little more than seven millions in 1789 and 1790; and its discounts, which had been as high as four millions in 1785, did not exceed one million.

The following is a comparative statement of

its treasure, computed from the scale in the Appendix, and of its issues of notes:—

| | Cash and Bullion. Average of the four quarters. | Notes. On 25th Feb. |
|---|---|---|
| 1789, . . . . | 10,024,000 . . . . | 9,905,240 |
| 1790, . . . . | 10,097,000 . . . . | 10,217,360 * |

This was a position in which it could not suit the bank to remain, seeing that its circulation of paper was entirely unproductive, or rather carried on at the loss of the expense of the establishment for conducting that branch of its business †.

* It is not improbable, that some part of this overflow of treasure in the bank, was occasioned by the efforts of the country banks, which were then greatly increasing in numbers, to extend their paper circulation to the exclusion of so much coin.

† The accumulation of gold in the bank coffers from 1820 to 1823, has been very generally ascribed to a determination on the part of the bank directors to buy as much gold as they could, with a view to the resumption of cash payments; and the fall of general prices which was assumed to be the consequence of that absorption of gold by the bank, was therefore charged to the operation of Mr. Peel's Bill. Now, there appears to be no reason to believe, that Mr. Peel's Bill had any more to do with the accumulation of gold by the bank in 1821 and 1822, than it had with that in 1789 and 1790. In both cases, the same general cause operated; *viz.*, that the bank-rate of discount being, kept greatly above the market-rate, the power of issuing bank

In order to get out of a situation so disadvantageous, the directors were under the necessity either of reducing their rate of discount, or of extending their advances to government.

An opportunity for resorting to the latter expedient presented itself; and by their advances to government, they were enabled, in 1791, to increase their issues by about 1,500,000*l.** Contemporaneously with, or rather preceding, this addition to the circulation of the Bank of England notes, there was a great increase of the issues of the country banks.

This great factitious increase of nominal monied capital coming into competition with the pre-existing real monied capitals seeking investment, operated in reducing the rate of interest, and accordingly the market-rate of discount of good bills fell to three per cent. The artificial incentive to speculation thus afforded, coincided

notes, through the medium of advances on mercantile bills, was reduced to next to nothing. There was a repayment, indeed, by government, of five millions, in pursuance of the provisions of Mr. Peel's Bill; but there was likewise a repayment of nearly three millions (a large sum in proportion to the whole circulation,) in 1786, and it is not at all clear that a repayment would not have taken place since 1819, although it had not been prescribed by that Bill.

* Amount of bank notes in circulation:—

| | |
|---|---|
| 25th February, 1790, . . . | 10,217,360 |
| 25th February, 1791, . . . . | 11,699,140 |

with circumstances which were of themselves calculated to excite a spirit of mercantile enterprise. The consequence was, a very general extension of private paper and of transactions on credit, operating as cause and effect in a great rise in the price of colonial produce, and of many other commodities*. While the rise in the price of commodities induced an increased import and diminished export, the reduction in the rate of interest, indicated by the rise in the three per cent. consols to 97¼ in March, 1792, forced capital abroad in the way of extended credits to the foreign merchants, and of occasional investments, even at that time, in foreign government funds. There was great extravagance in the direction of British capital, both at home and abroad; and, as invariably is the case in times of speculation, the country was, both in and out of Parliament, represented to be in a state of unexampled prosperity.

The treasure of the bank then flowed out as fast as the directors could wish. The exchanges† fell in the beginning of 1792 sufficiently to admit of an efflux of bullion.

* Corn was not among the number, as the season happened to be abundant.

† The Hamburg exchange fell to 34*s.* 3*d.*, and the price of foreign gold rose to 4*l.*, and of Spanish dollars to 5*s.* 5*d.* The reduction, therefore, of the treasure of the bank, from

This superfluous paper and credit being brought, after an interval of more than twelve months of speculation and of artificially-raised prices, to the limiting principle of final liquidation in gold, at its standard value in the rest of the world, was swept away at the close of 1792 and the beginning of 1793. The destruction of the redundant and factitious circulation, was accompanied by a commercial crisis so violent, and in so many points resembling that which we have just now experienced, that a reference to historical notices of it, will, perhaps, be read with interest; and I accordingly insert in the Appendix (A) some extracts of such notices.

the computed amount of 9,588,000*l.* which it stood at in September, 1791, to 6,255,000*l.*, in September, 1792, seems to be accounted for by supposing an exportation to that extent. The subsequent drain of nearly three millions more in the six months following, (the exchanges having then turned in our favour,) appears to have been absorbed into the country circulation, to make good the chasm occasioned by the discredit of the local notes.

## SECTION IV.

### Upon the Difficulty of regulating a Paper Circulation.

We have seen that one of the great difficulties attending the regulation of the bank issues, with reference to the proportion of its paper to its treasure, has arisen out of the endeavour of the directors to preserve a uniform rate of discount, while the market-rate is liable to great fluctuation. But, although the management of the circulation of paper by the bank has been, according to the view which I have ventured to take of it, any thing but judicious, I am prepared to allow that the regulation of the issues of such an establishment as the Bank of England, supplying, as it does, the whole of the paper circulation of the metropolis, and the basis for a large proportion of the paper circulation of the rest of the kingdom, is a matter of great difficulty*.

* Part of this difficulty arises out of the nature of the country bank circulation. The issues of country bank notes seem to be dependent on circumstances not immediately under the control of the Bank of England. I have, on a former occasion, stated instances, in which there was a considerable growth of country bank notes, without any coincident, or immediately preceding, increase of Bank of England

There is, indeed, so much nicety requisite, in regulating a circulation of that kind, and of that magnitude, so as to avoid the danger of frequent and great variations in the value of the currency, in the rate of interest, and in the state of credit, that I have great doubts whether any person, or body of persons, would be competent to the task; nay, more, whether a system of currency consisting of so large a proportion of paper-money, is not of necessity liable, to great and preponderating evils,—evils quite sufficient to outweigh the consideration of the cheapness of such a medium of exchange.

It remains for us to inquire whether the bank directors, or any other body of men, can have any criterion by which they can decide with accuracy, at any particular period, that an issue or a contraction of their paper will or

notes; and other instances in which there has been a considerable reduction of the country circulation, notwithstanding an increase of the bank issues. At the same time, we have seen, that if, coincidently with circumstances favourable to the growth of country paper, the Bank of England should increase its issues, the extension of the former will be the greater and more rapid; and the reverse, of course, under opposite circumstances. The *indirect* effects, therefore, as well as the *direct* effects, on the rate of interest and the prices of commodities, of any given enlargement or contraction of the circulation of the Bank of England may be very great.

will not be excessive, and by which they can keep the currency at an uniform value.

It will be urged that the state of the exchanges affords this criterion.

That the exchanges do indicate excess or deficiency in the circulating medium is perfectly true, and that such indication of excess existed in the summer of 1824, when the bank increased, instead of diminished, its issues, has already been stated.

But it still is a question, whether the exchanges indicate quickly enough, and with sufficient precision, the degree of excess or defect of the circulating medium, and the consequent degree of the tendency of gold to flow out, or to flow in, so as to admit of preparation on the part of the bank, to counteract that tendency, and to proportion the effort to the occasion.

The facts which have been already referred to, connected with the recent state of the circulation, leave no doubt that it was in excess, as compared with the value of gold in the rest of the world, for several months before the excess was manifested by the exchanges, or by any decided efflux of the metals. There was ground indeed for precaution on the part of the bank, according to the opinions of the directors avowed on former occasions, but there was none by the generally-acknowledged tests.

The explanation of the fact of the existence of excess, by which I mean, such an enlargement of the circulation through the medium of paper, as cannot be maintained at a level with the value of gold in the rest of the world, to which we must eventually conform, appears to be this:—

The principal medium through which the exchanges are affected, is that of prices. Such of these as relate to objects of interchange with other countries, if raised beyond the bullion prices of those countries, will induce an increased importation and diminished exportation of those commodities. But it not unfrequently requires an interval of some length, before the commodities which are interchangeable with other countries are affected by an excess in the circulation, in such a degree as to produce the effect of increased import, and diminished export, &c.*; and even that effect may not im-

* Where a prohibition of import of articles of extensive consumption exists, especially when that prohibition extends to so important an article as corn, an interval of greater length may elapse before the level of a currency, which has been disturbed by excess, can be restored, than where there is a perfect freedom of trade. But it is probable that the excess could not have taken place at all, and certainly not to the same extent, if corn had been importable at a moderate duty in 1823. The price would not have risen as it

mediately operate on the exchanges. There may be counteracting circumstances. The excess may have communicated itself in an increased medium of credit, to the countries with which we happen to have the greatest interchange; and it has so happened, that in some remarkable instances this has been the case, as in 1818, and very particularly in 1791. It is only upon the final liquidation in gold, of the engagements connected with the extension of this international circulation of credit, that the effect one way or the other upon the exchanges is produced; and this effect will be so much more violent, as the previous miscalculation upon the value of the currency has been of long duration.

It is therefore impossible to estimate with any approach to exactness, the force and permanence of the causes which may produce an influx or an efflux of the precious metals, even when the direction of the tide has manifested itself; and accordingly the degree of the increase or con-

did, giving occasion, as has been shewn, to an increased circulation of country paper; neither would it have been liable to the great fall, which, after an interval of famine, is, under the present system, inevitable.

Our corn laws, therefore, besides all the other evils which they produce, aggravate the fluctuations to which the value of the currency is liable.

traction of the bank issues necessary to counteract the one or the other, cannot always be determined.

In some instances it has been found that an efflux of the metals could not be stopped even by a contraction of the bank circulation to an amount below that at which it stood before the enlargement, which produced the efflux, was made.

The drain, nearly to exhaustion, of the bank treasure in 1783, took place, notwithstanding the immense proportional reduction of the amount of its issues coincidently with the progress of that drain of which I here give the statement.—The computed treasure compared with the issues stood thus:—

| | Cash and Bullion computed from the Scale. | Bank Notes. |
|---|---|---|
| March 1782 | 3,648,000 | 9,160,470* |
| Oct. 1782 | 2,332,000 | 6,371,300 |
| March 1783 | 1,261,000 | 7,338,230 |
| Oct. 1783 | 473,000 | 5,894,520 |

* The amount of bank notes here stated, is extracted from the Appendix to the Report of the Lords' Committee of Secrecy in 1797. Of the circulation previous to 1782, I have not been able to find any connected account for an uninterrupted series of years. Mr. Samuel Thornton, in his evidence before the Lords' Committee in 1819, p. 75, states, that in 1779 the amount of notes was 6,000,000, and that in 1780 they were increased to 8,400,000.

It

This contraction of the currency was attended, as might have been expected, with a great rise in the rate of interest; the best criterion of which is, that three per cent. consols which had risen in March 1783, immediately after the peace, to 68, fell by the close of the year to 58, eventually to 54, and continued under 60 till September 1785. The omnium of a loan concluded in 1783, after having been at a premium of upwards of eight per cent, fell afterwards to below par. The rate of discount on mercantile bills, being limited by law to five per cent., affords of course no criterion; but all property yielding a revenue fell so much, as to indicate an extraordinary increase in the rate of interest. "Every one (says Chalmers, in his Estimate, p. 186) must remember how impossible it was for individuals to borrow money on any security for any premium till towards the end of 1784."

In a subsequent, and more remarkable in-

It may be worth while here to remark, that assuming the above amounts to be correctly stated, an increase which eventually proves to be an excess, may be in progress for some time before it produces such an effect upon the exchanges as to occasion a drain upon the coffers of the bank, for it appears that the amount of treasure was at its medium nearly two years later, when there was a still further increase of notes.

stance, viz., from 1795 to 1797, the contraction of paper, in order to arrest the progress of the drain of gold from the bank, was still greater *.

The comparative amount of bank notes stood thus:—

| | | | |
|---|---|---|---|
| February 26 | . . | 1795 | . . . 12,968,707 |
| „ „ | . . | 1797 | . . . 8,167,949 |

This contraction, exceeding four millions and a half of bank notes, which reduced the circulation below the average of what it had been in the preceding eight years, was accompanied by a great rise in the rate of interest, and proved insufficient to avert the catastrophe of suspension. The price of the public funds fell, as is well known, in an extraordinary degree; but as the fall of the funds, and the rise of the market-rate of interest, were connected with the political events of that time, no accurate estimate can be formed of the effect which can be distinctly ascribed to the contraction of

* By the following comparative statement of the amount of the bank treasure, according to the scale and computation from it, before referred to, the drain was upwards of six millions and a half.

| | Amount of Treasure. |
|---|---|
| March 1795 . . . . . | 7,940,000 |
| Feb. 1797 . . . . . | 1,272,000 |

the circulating medium which then took place. The bank directors continued, indeed, to discount at the rate of five per cent., but they took only a very limited proportion of the bills offered. This limitation was in its operation equivalent to a great rise in the rate of interest*.

If then, under circumstances occasioning a drain on the bank coffers, so great a contraction, attended with so great a rise in the rate of interest, is requisite, it may be inferred from analogy, that in order effectually to prevent an inconvenient influx under the opposite circum-

* The circumstances connected with the variations in the value of the currency between 1782 and 1797, had struck me so forcibly, that it was my intention to have adverted to them in my former work. With that view I had drawn up a sketch of the reasoning which the facts connected with that period suggested to me; but I was induced to omit the insertion of it, because to have done justice to the argument, required a reference to statements and explanations which would have led me further than was consistent with my original plan. I now, however, give in the Appendix (A 2.), the fragment exactly as it was written in 1822, because in that form it is most strictly explanatory of the point of view in which I then considered the bank restriction as operating on the value of the currency, and because it will be equally applicable to correct the very erroneous opinions which prevail, as to the exemption of the currency from fluctuations in value, during the interval which immediately preceded the bank restriction.

stances, a proportionate enlargement of issues and reduction of the rate of interest would be necessary.

But the difficulty is not so much in preventing the gold from coming in, as in knowing the strength of the tide with which it sets in, and the precise level at which its force is likely to be spent. In endeavouring to prevent an influx by increased bank issues, the opposing power may be insufficient; in which case, the gold, after having come in, is to be sent back, at the hazard of creating too violent an efflux; or, the opposing power may be too forcibly applied, and then, not only will the influx be prevented, but a drain will be created, which, operating by the supposition on a small stock of bullion, endangers the complete exhaustion of the bank. And, as I have before observed, I know of no criterion by which the exact degree of the increase of the issues requisite can be ascertained.

For instance, the proportion of enlargement in 1821 and 1822 requisite, under such circumstances, might have been to the extent of five or six millions, and this enlargement might have been consistent with getting a stock of bullion to the amount of one half of what the bank eventually did get, and consistent likewise with not causing any immediate depres-

sion of the exchanges below par. But, from what we have since seen, it is clear that such an increased amount of paper could not have been kept in circulation; and the necessity for a contraction would have arisen so much earlier and more urgently. I say, so much more urgently, because, the bank having more paper out and less bullion in its coffers, a larger proportion of the contraction must have been effected through the medium of the rate of interest, inasmuch as less of its paper could be cancelled against the demand for gold. It was only in consequence of having so large a treasure when the drain commenced in 1824, that the bank was enabled to stand the further progress of the run in 1825, without a great reduction of its issues; and even that proportion of treasure was hardly sufficient to place its solvency out of danger. It was at last saved from exhaustion only by the sudden and unprecedentedly great contraction of the whole amount of the currency by the failures of the country banks; and a considerable part of that very contraction was in fact produced through the medium of the great rise in the rate of interest, which prevented many of the bankers from borrowing to the extent to which they had been accustomed, and on which they had relied.

If a great and sudden variation in the rate

of interest* be, as I think it demonstrably is, an inevitable effect of extremes such as I have described, and such as unfortunately the revulsion which the commercial part of the community is now suffering, proves to be of more than barely possible occurrence, there must be a proportionate variation, upon every intermediate degree of enlargement or contraction of the circulating medium.

The result of the preceding reasoning upon the regulation of a paper circulation, even with a considerable amount of bullion and coin in the country to meet emergencies, seems to be this:—

That the exchanges do not always indicate, until after some interval, more or less according to circumstances, an excess or deficiency in the circulating medium.

That when the exchanges do indicate an excess, or deficiency, they do not indicate the force of the tide in which the metals are flowing in or out.

* It is distinctly to be understood, that in speaking of the rate of interest as being powerfully affected by the regulation of the bank issues, with reference to the state of its coffers, I mean only the temporary effect which is produced during the progress of the forcible extension or contraction of the paper. When that effect is completed, the rate of interest will be the same, whether the value of the currency be at a higher or a lower level.

That, consequently, the bank directors have no sufficiently accurate criterion by which they can regulate their issues, so as constantly to preserve the paper circulation at the level which a gold circulation would preserve, with respect to the currency of the rest of the world.

That this being the case, when an influx or efflux of the metals begins, and when the necessity for the enlargement or the contraction of the circulation is apparent, such enlargement or contraction must be made to a greater extent and with more suddenness than would be requisite if the circulation were in great part or wholly metallic; and that prices must be thus proportionally more affected.

Lastly, that this alternation of enlargement and contraction being made through the medium of increased or diminished loans to individuals or to government, the immediate effect of such alternations is to produce sudden and highly inconvenient variations in the rate of interest.

## SECTION V.

Upon the Disadvantages of a Circulation in which Paper is in large Proportion compared with the Metals.

THE last Section relates to the difficulty of regulating a paper circulation, even with a reserve of coin and bullion as large as has ordinarily been kept in circulation, and in the coffers of the bank, in this country. It appears to me that the reasoning in that chapter may be applied generally, and that it can be proved, or rendered highly probable, that the value of the currency will be more uniform, in proportion as the quantity of the metals, compared with the paper in circulation, is larger.

As these opinions are at variance with the plan which was first suggested by Mr. Ricardo, and has since been recommended by Mr. M'Culloch, to maintain an exclusive paper currency convertible into bullion only, and as every suggestion proceeding from those distinguished writers is entitled to respectful attention, I deem it incumbent upon me to examine, somewhat in detail, the merits of that plan.

In Mr. Ricardo's "Proposals for an economical and secure Currency," p. 8, is the following paragraph:—"Amongst the advantages of

a paper over a metallic circulation, may be reckoned, as not the least, the facility with which it may be altered in quantity, as the wants of commerce and temporary circumstances may require, enabling the desirable object of keeping money at an uniform value to be, as far as it is otherwise practicable, securely and cheaply attained." Of the superior cheapness of paper as a material, there can be no doubt, and if there were no counter-balancing disadvantages in the fluctuations of value, attending the exclusive use of it, this would be a sufficient reason for its adoption.

Mr. M'Culloch, in his recommendation of Mr. Ricardo's plan, in the article *Money*, in the *Suppl. Encycl. Britann.*, gives the following estimate of the proportion of bullion, which he thinks may be sufficient to secure the convertibility and the consequent uniformity of the value of a given amount of paper,—"By declaring Bank of England notes to be a legal tender, and by obliging the bank to give bars of bullion to those only who made a demand for 1000*l.* or 2000*l.*, it is nearly certain that the bank would be able to keep twenty-five millions of notes afloat, with not more than one or two millions of bullion in its coffers as dead stock." Here it is assumed as *nearly certain*, that two millions, and, in this view, it must, consequently, be *quite certain*, that

five millions of bullion would be sufficient to keep in circulation twenty-five millions of paper*.

There would be, under this plan, as I have already endeavoured to shew with respect to our present system, no inconsiderable difficulty, under circumstances favouring an influx of the metals, to prevent an accumulation in the bank coffers, beyond the maximum of the amount proposed: for Mr. M'Culloch, in the same article, provides that the bank should be obliged to buy gold at *3l. 17s. 6d.* or *3l. 17s.* But even admitting, that by a sufficiently forcible reduction of the rate of interest, such an addition may be made to the circulation of paper as to stop the influx of gold†, and that there may

* Mr. Ricardo, in his evidence before the Lords' Committee, on Cash Payments, in 1819, with reference to his plan of bullion payments, by which he proposed to limit the obligation on the part of the bank to pay notes only of *50l.*, *60l.*, or *100l.* value, or to a number of smaller notes, amounting, in the whole, to such a sum, gave it as his opinion, "that three millions of bullion would, under good management, be amply sufficient, upon a supposition of twenty-four millions of Bank of England notes in circulation."—*Minutes of Evidence*, p. 187.

† When I speak of the circumstances determining an influx of the metals, I mean that there may be large returns from abroad, to be made for previous exports from this country, at the same time that, owing to good harvests of

not be danger, as well as inconvenience, in the attempt; it is under the opposite circumstances that the greatest disturbance of the currency is likely to arise.

With a bank circulation, then, of twenty-five millions upon a reserve of five millions of bullion, suppose (no impossible, nor even improbable case) that, owing to a failure of the crops at home, and the consequent necessity of an importation of corn, or to over-trading of any kind, *extra* payments abroad, to the amount of seven or eight millions, are suddenly required beyond the sums due, and immediately available, to this country. But in addition to the sudden necessity for payments for an unusually large importation, there may, if it be a period of war, be a large expenditure abroad by government, for subsidies, or for the pay of its troops; or, in peace, there may be loans or other financial operations, such as the conversion of the French rentes, or extensive re-coinages abroad, which may still further swell the payments to ten millions or upwards.

Assuming then, that, under these circumstances, *extra* payments are to be made within six or even twelve months, amounting to ten

corn, or a previous over-supply of imported commodities, the demand for the produce of other countries is less than usual.

millions, how, I will ask, are these payments to be made? I am aware that it is commonly argued by the advocates for an exclusive paper currency, that foreign payments to any amount may be provided, by such a contraction of the paper, as will raise the value of the currency and depress the prices of commodities, thus causing an additional exportation, which will make the payments to the extent required. But no explanation is given of the process by which such an increased export of commodities can be made with sufficient promptitude to meet the exigency, which is sudden and urgent.

I am ready to admit to the fullest extent that can be desired, that the reduced prices in this country consequent upon the contraction of the paper, will eventually diminish the importation and increase the exportation. There is, in fact, no difference between the advocates of a paper currency and myself, as to the principles by which international exchanges are ultimately balanced. The only question between us is as to the extent of the disturbing causes, for which they make little or no allowance, while it is my opinion that these may occasionally be of considerable extent and duration.

When foreign payments, to the amount above assumed, are to be made, the number of remitters beyond the number of drawers, causes

the exchange to fall to such a rate as makes the exportation of gold profitable; and as, by the supposition there is no gold in circulation, the remitters apply to the bank for gold in exchange for its notes.

Supposing, then, that by the contraction which the bank might find it necessary to make, in consequence of the fall of the exchanges, and the drain thence arising on its coffers, commodities should fall so much, that many, which it would not before have answered to export, admit now of being sent abroad with a profit. But before the fall can be known in the East and West Indies and America, and the distant parts of Europe, so as to induce fresh orders from thence, several months must elapse. Or, if speculative shipments should be made, it is to be observed that these are not likely to form any immediate resource. It is the common course of trade, that a very considerable proportion of the manufactures of this country are shipped for account of the manufacturers, who, through their agents abroad, sell the goods, when they reach the markets, to the dealers and shopkeepers on credit; so that taking the time occupied in the shipment, the transmission, the interval between arrival and sale, and again between the sale and the expiration of the credit, a period of a year and a

half, or two years, may elapse before the funds arising from such shipments can be made applicable to foreign payments. Some increased shipments will, doubtless, be made to the nearer ports of Europe, and of these part may be for account of the merchants abroad. But all persons conversant with business must be aware that there is not likely to be any considerable increase of funds available for an emergency from this source.

It would, perhaps, be tedious to enumerate all the reasons why it should be so. I will mention only one or two. The fall, which by the supposition, takes place suddenly in the price of commodities here, would have the effect in the first instance of reducing the price of similar commodities which are held as stock abroad, from the anticipation of an increased and cheaper supply from hence. And, in point of fact, on such occasions of falling markets, there is little speculative demand. Another circumstance which prevents any *immediate* increase of drawers for shipments made in consequence of a fall in prices from the contraction in the currency, is, that the effects of so great a contraction in this country, must inevitably be felt in a depression of credit, greater or less, in the places abroad, with which we have any considerable intercourse, and there will, con-

sequently, be a disinclination to authorize drafts from hence to any great additional extent. That there will be eventually an increased export, there can be no doubt, but it is equally clear that a very small proportion only of it will be available as a means of making an immediate foreign payment. There will, likewise, eventually be a diminution of imports; but in the mean time an unusually large importation is forthcoming, in consequence of orders which had been sent from hence before the fall of prices, and for that importation it is that the payment is to be provided.

After the explanation which I have here given, it must be obvious that there is hardly any conceivable degree of contraction of the paper, upon such an emergency as that which has here been assumed, that would be effectual in forcing so great an additional export of commodities as would preserve the exchanges at any thing like their level. While, on the other hand, in the case of a circulation consisting chiefly, or in large proportion, of coin, the utmost limit of the contraction would be the amount of the extra payments supposed; as, in fact, the abstraction of so much coin would effect the payment: but in the progress of the payment, the currencies of the places to which it was made, would, by the addition of so much

specie, be more nearly assimilated in value to ours, thus diminishing the pressure upon the exchanges. And it may, therefore, fairly be inferred that in the case of a circulation consisting of so large a proportion of paper, the contraction requisite to keep up the exchanges, (even, if this were possible,) and to preserve the convertibility of the paper, would be nearly twice as great as in the case of one, in which the bullion in the coffers of the bank, and the coin in circulation, were of such an amount as to admit of the greatest part, if not of the whole of the extra payment being made in specie.

But before the contraction could be pushed to any thing like the extent requisite for this purpose, the notoriety of the drain upon the bank, and of the smallness of its reserve, would create a run, from fears among the holders of paper for its eventual convertibility; and the suspension of cash payments would be inevitable. It is in vain to call this a *panic*, and to say that no system of banking can be proof against a *panic*. A *panic* is an apprehension beyond the occasion; but in the case supposed, there would be just ground for apprehension. The only rational foundation for confidence on the part of the public in a bank, is a knowledge, that the reserve is ordinarily of sufficient magnitude to serve as a security against casualties

and emergencies. Now a reserve of one-tenth, or even one-fifth, would present no such security, and would naturally lead to the recurrence of frequent alarm and periodical suspension. In the event, therefore, of a contraction to meet foreign payments, the drain would be increased, and the effects of the contraction aggravated, by the necessity which the bank would be under, of supplying bullion *to* the circulation; while, in the case of a circulation, in which there was a large proportion of coin, the effects of a drain upon the bank, whether from previous excess or from any unusual foreign payments, would admit of being counteracted and speedily remedied by supplies of coin *from* the circulation*.

Of the comparative facility with which the coffers of a bank which has suffered too great a reduction of its reserve by imprudent issues of paper may be replenished out of a circulation consisting in great proportion of coin, notwith-

* If an amount of bullion, adequate to the purpose of making the payment, were in the coffers of the bank, the contraction might be less, than if the whole or the greater part were to be taken from the coin in circulation. But as it might happen that when the occasion for a sudden payment should arise, the treasure in the coffers of the bank might be below its average amount, there would be no security against their exhaustion, unless the circulation were abundantly supplied with coin.

standing a coincident demand for large payments abroad, a strong instance is afforded in the case of the Bank of France, in 1817 and 1818. The circumstance is thus stated in Mr. Baring's evidence, in 1819. (*Vide* Report of Lords' Committee on the Resumption of Cash Payments, p. 103.) Speaking of a drain which that bank had experienced, he says:—"Their bullion was reduced, by imprudent issues, from 117 millions of francs to 34 millions of francs, and has returned, by more prudent and cautious measures, to 100 millions of francs, at which it stood ten days ago, when I left Paris. This considerable change took place since the first week in November, when the amount of specie in that bank was at its lowest. It must, however, be always recollected that this operation took place in a country, every part of the circulation of which is saturated with specie, and, therefore, no inference can be drawn in favour of the possibility of so rapid an operation in this country, where, owing to the absence of specie in circulation, the supply must entirely come from abroad; for in Paris, though some portions may have come from foreign countries, the great supply must undoubtedly have come through all the various small channels of circulation through that kingdom."

Again, in the same Evidence, p. 105:—
"Q. Has not France, after two years of great scarcity in corn, and two years of foreign contribution, been able to contribute a proportion of the precious metals to the wants of Russia and Austria?

"A. Undoubtedly, the precious metals have been supplied from France to Russia and Austria, and shipped, to a considerable amount, to America, notwithstanding the payments to foreign powers, and very large payments for imported corn, whilst, at the same time, wine having almost totally failed for several years past, they were deprived of the most essential article of their export."

And, in reference to these payments, in the preceding answer, Mr. Baring states, that they "produced no derangement whatever of the circulation of that country (France)."

It may not be unimportant further to remark, that the state of the currency in France, ever since the suppression of the assignats, appears to be decisive of the great advantages attending a metallic circulation, in times of political difficulty and danger. On no one great occasion did her efforts appear to be paralyzed, or even restricted, by any derangement of the currency; and in the two instances of her territory being

occupied by an invading army, there does not appear to have been any material fluctuation in its value.

To this facility of resource, and exemption from great disturbance of the currency, arising out of a large circulation of coin, the derangement which took place in the currency of the United States of America, very soon after the breaking out of the last war with this country, presents a striking contrast. Upon the first pressure of financial difficulty, nearly all the banks, notwithstanding the utmost efforts to contract their paper, suspended their payments in specie. And this circumstance was not only felt, in greatly embarrassing the government of that country in its operations during the remainder of the war, but entailed a very unsettled state of the currency for some years after the termination of hostilities.

It would appear, therefore, that a currency, consisting chiefly of paper, requires a much more violent degree of contraction to meet the occasional emergencies of sudden payments, than is necessary in a circulation containing a large proportion of coin; and that there are emergencies of no improbable occurrence, in which the utmost possible contraction would be insufficient to preserve the convertibility of the paper.

This difficulty, or rather, I should say, impos-

sibility of meeting many conceivable exigencies, without a large reserve of gold and silver, seems not to have occurred to the advocates for a currency consisting of paper circulating upon a very small reserve of bullion, as an objection to their system. They have overlooked the obstructions, which distance, habits of trade, legislative restrictions, and various casualties and miscalculations, that are inevitably incidental to all extensive commercial relations, interpose in the way of such an immediate adjustment of international payments, as ought, in their view, to supersede the necessity for the transmission from one state to another, of any considerable amount of bullion.

It may, perhaps, be said, that the late crisis has been felt in France, in the Netherlands, and in Hamburg, as well as in this country, and in the United States of America; and that, therefore, no argument can be drawn from it against our paper-system. That the crisis has been felt in other places, I am quite ready to admit, and I have formerly had occasion to notice an instance of a great derangement of credit in Hamburg, arising out of speculations, which appear to have had their origin in that city. But the occurrence of such instances of derangement is comparatively rare, and, as applied to a city like Hamburg, is not strictly analagous to

the case of disturbance of the value of the currency in an extensive and populous district or country. Hamburg is a mere cluster of merchants, of a highly enterprising character, among whom, there are considerable dealings on credit, and, where the trade is consequently subject to great vicissitudes*.

There have also been extensive failures at Paris, Amsterdam, and Berlin; and there has been a general rise in the rate of discount in those places. But these failures were chiefly among the speculators in the public securities of the different states of Europe and America. Now these public securities are neither more nor less than annuities, which depend upon the rate of interest for their market value, and, in their turn, produce a temporary influence on the rate of interest; and, as these annuities form one of the most extensive classes of objects of interchange between London and the great commercial cities of Europe, it is quite clear that the operations of the former must, from their relative magnitude, influence the

* The instances of Hamburg and Liverpool, of which Liverpool is the most remarkable for its enterprise, and its rapid progress in wealth and population, are decisive as to the inference, that banks of circulation are not essential, as has been supposed, to the development of commercial activity and adventure.

latter; consequently any great fluctuations in the funds, which produce extensive failures, and a rise in the rate of discount, here, must produce some corresponding effect on the places which I have alluded to. But, in the instance of none of those failures, does any general derangement of the currency appear to have been experienced in the countries or districts adjoining to those cities. And, although the rate of discount rose abroad, that rise indicated the utmost rate paid for the use of monied capital. Whereas, during the crisis in this country, the real rate of interest must be considered as having been very much higher, as I have before stated, when alluding to the ruinous expedients which were resorted to in order to evade the oppressive restrictions of the usury law.

But, it may be further argued by the partisans of an exclusive paper circulation, that the great fluctuations in the value of the currency which have occurred within the period now under discussion, may be ascribed to the very imperfect and insecure grounds on which the paper of the country banks in England has been issued, and to the injudicious manner in which the issues of the Bank of England have been regulated.

I am certainly no advocate for the mode of management of the circulation by the Bank of

England, and I am ready to give up our country circulation as being nearly the worst conceivable. But I have already endeavoured to shew that there is no test by which an excess in the issue of paper can be determined with certainty, till an interval greater or less after the excess, has elapsed. Now, as all former experience, as well as the very nature of a paper currency issued by banks, leads to the conclusion that they will extend their notes to the utmost limit of the amount which the circulation will temporarily absorb, there seems to be no reason to suppose that under the circumstances, such as I have before described them, favourable to the extension of country notes, the issues of paper might not, and would not, have been carried as far by banks established on a solid foundation as it has been by banks on a weak foundation*.

* It will, perhaps, be objected that there has not been so much over-issue of paper, nor so much eventual contraction in Scotland and in Ireland as in England. That there has been over-issue and consequent contraction in both is certain; in what degree I have no means of estimating. There does not hitherto appear to have been so much overtrading in those parts of the kingdom as in this; although, perhaps, even upon this point it is yet too early in the subsidence of the crisis to judge. That Scotland is, notwithstanding the superiority of her system of banking, liable to overtrading, and commercial distress may be proved by reference to 1814 and 1815, when the failures at Leith and other towns of the

There would, therefore, have been a necessity for an eventual contraction, as great at least as that which has actually been made. The con-

north, rather exceeded those of the south. In Ireland the disasters which attended her banking-system in 1820, may have been sufficiently recent to preserve her from so great an excess of paper as might otherwise have been circulated there.

Since the above part of this note was written, accounts from Scotland state that commercial distress is beginning to be most severely felt there. The following extract is from the Glasgow "Free Press" of the 18th of January, 1826.—

"The distresses that we ventured to predict as likely to result from the money panic, are now overflowing in every quarter, and many highly respectable merchants, manufacturers, and traders, find no little difficulty in keeping their heads above the water. The lessening of the amount—the limiting of the time—and the increasing of the rate of discounts, are severely felt in Glasgow; and within the short space of twenty days, nearly the same number of houses are reported to have fallen in consequence. The state of business in Glasgow is as gloomy as it can well be imagined. This is an awful fact, and a fact, the publication of which, at an earlier period, might have augmented the evil; but it is now too notorious for further concealment. Complaints are heard on every side, and the distress appears to be not only grievous, but general. To specify particular branches, even if we could do so, would be imprudent, but we confess that we cannot. All are alike affected; and though some have borne it better than others, it is not because *those* have had less to bear, but because *these* have been less able to bear it."

traction would not indeed in such case, be effected, as it has been, through the medium of the failures of country banks, and would therefore not be attended with the peculiar description of distress which has recently occurred from those failures. But, it is clear that there would be the same depression of prices, whether the contraction were effected through one medium or another; as it is by the means of general prices alone, that the adjustment of the level can take place. This degree of fluctuation which must periodically occur, is, as I have shewn, over and above that to which a metallic circulation is liable.

Viewed therefore in every light in which the subject can be placed, the conclusion strikes me to be irresistible, that the liability of a currency to fluctuation in value, will be the greater, as the basis of the metals in proportion to the circulation of paper is smaller.

Upon the great moral evils arising out of extensive fluctuations in the value of property, as there is not, I apprehend, any difference of opinion, I will not dwell further than to observe, that, in as far as the liability to the occurrence of such fluctuations is greater with a paper than with a metallic circulation, this ought to weigh heavily against the consideration of the pecuniary saving which is the only object pro-

posed by the substitution of the cheaper material.

But in truth, a great waste and positive loss of national wealth attends all such changes, by the misdirection of capital and industry which they occasion.

Of the misdirection, which the artificial excitement to speculation, incidental in so much greater a degree to a paper than to a metallic currency, is calculated to give to capital and industry, a memorable instance is afforded by the transition which we have recently experienced, and from the effects of which we are still suffering.

If a computation could be made of the losses that have been sustained within the last two years,—by the excess of prices paid to foreign countries for commodities*, beyond what those commodities are worth for home consumption or exportation,—by the fluctuation in the demand for labour, at one time elevating manufacturing wages beyond the rate which the eventual price of the manufactured goods could afford, and then depressing them so much, and throwing so many workmen out of employ, as to occasion an increased burden on the poor-rates,

* I have seen computations, by which it appears, that in the article of cotton alone, the loss amounts to upwards of two millions and a half.

—by loans to foreign states, which present no adequate security for repayment,—by schemes, which upon a large outlay, hold out no prospect of any net profit,—by rendering the commodities produced with a view to the consumption of particular classes, of reduced value, by the diminished demand, consequent upon the altered condition of a large proportion of the individuals constituting those classes—it would be found, I suspect, to amount to an enormous sum. And if the proportion of such losses, not only on the recent occasion, but on many other similar occasions which have occurred in our commercial history for the last fifty years, which can be fairly ascribed to the difference between a paper and a metallic circulation, admitted of being accurately computed, I am fully convinced that, as a mere question of national wealth, the balance of loss would be greatly against the former.

## SECTION VI.

### Upon the Defects in the System of our Circulation, which call for an immediate Remedy.

Such and so great being the evils which seem to be inseparable from our present monetary system, and infinitely aggravated as these evils have been and are liable to be again, by errors in the administration of it, it will, when the whole subject comes before the legislature for consideration, upon the nearer approach of the termination of the present charter of the Bank of England, become a question of the greatest importance, to determine whether the whole of that system, as connected with the circulation of promissory notes, ought not to be entirely re-modelled.

In the mean time there are two specific evils, which are severely and extensively felt, and of which the remedy is so obvious and easy as to admit of being immediately applied. One of the evils is that to which I have already alluded, *viz.*, the secrecy and mystery in which all the proceedings of the Bank of England are enveloped.

While that secrecy prevails, all investments of capital, all mercantile engagements, and all

contracts of whatever kind, are exposed to an element of uncertainty, in addition to any other that can have been in contemplation: and plans, otherwise well combined, may be defeated by some great operation of the bank upon the currency, which, if it were known and exposed to public scrutiny and discussion, would either be quickly abandoned, or would admit of being appreciated and acted upon.

It may, I believe, be set down as a rule, that the administration of all institutions, of which the functions or operations, in any degree, affect the public interest, ought to be constantly and strictly subjected to the supervision of the public. Such supervision is the only effectual safeguard against errors and abuses. Next to the administration of the state, there is no administration of any office so immediately and extensively affecting the interests of the community, as that which is intrusted to the persons who are invested with the privilege of issuing paper-money, and who, by the manner in which they exercise that privilege, have it in their power to produce great changes in the property and condition of every individual in the kingdom. No man, nor set of men, ought, in my opinion, to be intrusted with that privilege: but being so intrusted, their exercise of it ought to be subjected to the constant control and correc-

tion of public opinion. Such publicity would enforce a steady and consistent adherence to some settled rule, the uniform operation of which the mercantile world might understand and be prepared for. There is no reason whatever why the accounts of the Bank of England should not be published with as much fulness of detail as is exhibited in the accounts published half-yearly by the Bank of France. As a specimen of the latter, I insert, in the Appendix, E. a copy of an account for the last half-year, as it has recently been rendered. A statement of this kind ought to be required, not only from the Bank of England, but from every bank in the kingdom, which is allowed to exercise the privilege of issuing paper-money.

The other evil which calls most urgently for immediate interference on the part of the legislature, is the state of the country circulation. Some security ought forthwith to be provided against the recurrence of failures of the country banks, such as those which took place in 1810, 1815, 1816, and lately, in 1825. If the Bank of England would consent to give up so much of its exclusive privileges as would admit of the establishment in England of banking companies, on the footing of those in Scotland, the present country banks might be entirely replaced by banks on a different footing, and of unquestioned

stability. But as such a concession on the part of the Bank of England is not likely to be made, some other measures ought, in the mean time, to be adopted. Every country banker ought to be called upon to give some pledge of his ability to pay on demand the notes which he may be permitted to issue. Whether this object of security would be best attained by requiring a sum to be invested in the funds, or by any other method, it would lead me too far at present to inquire.

But whatever may be determined upon as to the expediency of providing additional security for the general circulation of the country banks, there is one part of that circulation which ought not, upon any footing, or with any modification, to be any longer tolerated. I mean the notes under £5. These are, in every point of view, a most objectionable medium of exchange. They are imperfectly convertible into coin, as, for instance, in the case of Mr. Jones and the Bristol Bank, last spring; and, I believe, many instances of difficulty, short of absolute refusal of payment, might be cited*. They offer greater

* Since writing the above, an instance has occurred in which a demand, even upon the Scotch Banks, for coin or Bank of England notes, in payment of the local notes, was made the subject of angry animadversion by an Edinburgh paper the *Edinburgh Evening Courant*, of Jan. 7. While there

facilities for being issued in excess than notes of a higher denomination; and they almost invariably exclude specie entirely from the districts where they pass current.

But leaving out of the question the consideration of fluctuations in the value of the currency, some protection for the lower classes against the severe losses to which they have so often been exposed, as the holders of small notes, when the banks issuing them have failed, is imperatively called for.

It is quite idle to contend that the lower classes have the option of refusing to take the country notes. Practically, in the great majority of instances, they have not and cannot have any such option. But if there is any object more important than another for which the government of every state has been invested with the exclusive privilege of coining money, it is that of protecting the lower classes of society, who are little competent in this particular to protect themselves, from the risk of loss in receiving their stipulated wages, or other payments. And this function of the sovereignty, of issuing coin, which, under the strongest sanc-

is any feeling of this sort of the harshness of demanding coin for the notes of a bank, such notes are more or less imperfectly convertible.

tion, certifies to every member of the community the weight and fineness of the money which he may be entitled to receive, is justly guarded against the interference of private individuals by the severest penalties. But by a strange inconsistency, while such care is manifested to secure the community from being imposed upon by metallic money of less than standard-value, every adventurer who chooses to follow the trade of a banker, is allowed to issue a spurious paper-money, which having neither intrinsic value nor any adequate security for eventual convertibility, is in too many instances, neither more nor less than a fraud: a fraud of which the most numerous, and most helpless classes, and those who can least bear the loss, are most commonly the victims.

Important and urgent, however, as are the considerations of policy, in respect to the value of the currency, and of justice, in respect to the protection of the lower classes, which dictate the suppression of the small country notes, it is to be feared that the same influence which has on other occasions been successfully exerted against improvements in our commercial or financial system, will be brought into operation against this. The country bankers, who are supported by the power of the landed aristocracy, had influence enough to throw out a bill

which was introduced some years ago into Parliament, for affording greater security to the public in the circulation of country bank notes under 5*l*. And we may expect that no efforts will be spared, and no sophistry left untried, in the ensuing session, to prevent the suppression of that class of notes. I have little doubt that if such a measure had been proposed and carried last spring, during the apparently prosperous state of the country, the recoil of prices, the rise in the rate of interest, and the general stagnation that have recently taken place, would have been ascribed to the actual or prospective operation of that measure. If the measure should be proposed in the ensuing session, it will be pertinaciously objected that the country is already suffering under all the effects of reaction; and it will be said that we ought not to aggravate the distress arising from a contracted circulation by perpetuating that contraction. And of this we may be assured, that whenever this salutary alteration be made, as sooner or later it must be, the effects of it will be grossly exaggerated, and whatever coincidently with, or soon after, may be untoward in the aspect of finance, commerce, or agriculture, will be wholly ascribed to that alteration*.

* It is, in my view of the subject, a matter of great and serious regret that the privilege of the country banks to issue

The principal source of exaggeration as to the effects of the suppression of the small notes, is in supposing that such a measure would have a great and permanent influence in reducing the price of agricultural produce, and of commodities in general. That prices could not have risen so high as they did in the two last years, without, as with, that class of notes, I am perfectly ready to admit, but neither, on the other hand, would they now have been so low. It is only a greater range of fluctuation, and not a higher permanent level of prices, that can be produced by the substitution of paper for gold and silver, in that part of the circulation. To

1*l.* and 2*l.* notes was not suffered to expire at the time prescribed for the cessation of it, by Mr. Peel's bill, *viz.*, in May, 1823, instead of being extended, as it was by an act passed in 1822, for ten years longer. No time, indeed, could have been more fit for its discontinuance than that. Prices had already reached their minimum, as compared with the prices of the rest of the commercial world; and, without any effort or sacrifice, there was already so great a surplus of gold in the coffers of the Bank of England, as to have admitted of its supplying as much as would have fully filled up the chasm created by the withdrawing of the small country notes, without reducing its own circulation of paper. The country banks were, themselves, prepared for the measure, and there seems no reason to believe, that if it had been carried into execution, it would have had the slightest sensible effect in a further depression of prices.

the value of gold, in the rest of the world, our paper must conform as long as it is convertible, although the interval during which it may diverge from that value, owing to a partial excess, may be greater, as I have endeavoured to prove, than is commonly supposed. But exactly by the same reasoning by which it is shewn that there may occasionally be an enlargement of the circulation of paper beyond what is eventually found to be consistent with preserving an uniformity with the value of gold in the rest of the world, it inevitably follows, that in proportion to the degree of excessive enlargement, must be the eventual contraction of the whole circulating medium *below* the level from whence the excess began; the level, or the average of prices, being still determined by the value of gold.

The only question, therefore, is, how far the value of gold would be raised by the absorption of so much as would be requisite to supply the place of the small notes? The grounds upon which any answer can be given to this question are, of course, vague, as something must depend upon the estimate which may be formed of the quantity of gold which will be necessary for the purpose. The utmost computation of this quantity, however, would hardly raise it to eight millions, considering that there would be

an increased economy in the use of such currency, and that the reserve of the Bank of England need not be so large, when there is no country circulation of 1*l.* and 2*l.* notes. Assuming, as I think I may, most confidently, that eight millions of gold is the utmost that would be requisite for the purpose, it can only be an apprehension magnified by the bigotry of self-interest, which could lead to the supposition, that such a sum, taken from the whole amount of the metals in the world, would produce any sensible influence on bullion prices.

However inauspicious in appearance, the present, I am satisfied, is a season, which though not so favourable as 1822, is one, in which the privilege of circulating country notes under 5*l.* may, (after giving due notice) be rescinded with less disadvantage, than probably at any intervening period prior to the time, at which that privilege will cease by the provisions of the existing Act. The circulation of this class of notes is in consequence of the late failures, now reduced to as low an amount, as it is conceivable that it can be, at any time hereafter, before its final extinction. And to replace it, therefore, with coin, will probably require a smaller absorption of gold and silver than at any later period.

With regard to any remedy as specifically applying to the existing state of distress, I have none to propose. The evil arose out of an excess of paper and credit. The only cure is in the removal of that excess. The operation of removal, however salutary in the end, is painful in the process; but I am not aware of any other mode of arriving at a sound state. The sole object of the suggestions which I have ventured to offer, is to diminish the chance of a recurrence of the disorder.

# APPENDIX.

## A. (1)

*Extract from the Report of the Select Committee on the State of Commercial Credit.*—April 25, 1793.

A spirit of commercial speculation and commerce had been for some time increasing in every part of the kingdom, and had now got to such a height as to threaten public credit with very serious danger. The circulating specie being by no means sufficient to answer the very increased demands of trade, the quantity of paper currency brought into circulation, as a supplying medium, was so great and disproportionate, that a scarcity of specie was produced which threatened a general stagnation of the commercial world. In consequence of this alarming state of public credit, on the motion of Mr. Pitt, a select committee was this day appointed, to take into consideration the present state of commercial credit, and to report their opinion and observations thereupon to the House.

*April* 29.—The Lord Mayor reported from the said committee, That the committee had made a progress in the matter to them referred, and had directed him to make the following

REPORT.

Your committee have thought it incumbent on them, in proceeding to execute the orders of the House, to direct their attention to three principal points:

1st.—Whether the difficulties at present experienced, or the probability of their continuance and increase, are of such urgent importance to the public interest, as to require the interposition of the Legislature?

2d.—On the supposition that such interposition should be

deemed necessary, what is the most practicable and effectual plan which can be adopted for giving relief?

3d.—What means can be suggested for preventing the renewal of similar inconveniences?

The consideration of the first and second head, appeared, in some measure, blended together; and the third, though of great importance, appearing to be less urgent in point of time, your committee have thought it proper to submit to the House such considerations as occurred to them upon the two first points, reserving the latter for a separate report.

Under the first of these heads, the notoriety of failures to a considerable extent,—the general embarrassment and apprehension which has ensued,—the consideration of the necessary connexion between different mercantile houses, and their dependence on each other,—and the influence which the state of commercial credit must have upon the trade, the revenue, and general interests of the country, appeared sufficient, without minute examination, to satisfy your committee, that the present situation strongly called for an immediate and effectual remedy, if any practicable plan could be suggested for that purpose.

In addition to this, the committee had an opportunity of collecting from several of their own members, information grounded either on their general observation upon the subject, or on their own immediate and personal knowledge.

Your committee, understanding that some suggestions on this subject had been laid before the Chancellor of the Exchequer, on the part of several persons of great eminence and respectability in the city of London, were of opinion, that a communication of these suggestions would be very material to the objects of their inquiry, with a view of ascertaining the opinion of persons of this description, both with respect to the necessity of some remedy, and to the particular mode in which it might be applied.

The Chancellor of the Exchequer accordingly laid before the committee a paper which had been delivered to him on the 23d instant by the Lord Mayor and Mr. Bosanquet, which is inserted in the Appendix to this Report. He also stated to the committee the circumstances which had led to this paper being drawn up.—That he had received representations from many different quarters, which induced him to believe, that the failures which had taken place had begun by a run on those houses who had issued circulating paper without being possessed of sufficient capital; but that the consequences had soon extended themselves so far as to affect many houses of great solidity, and possessed of funds ultimately much more than sufficient to answer all demands upon them, but which had not the means of converting those funds into money, or negotiable securities, in time to meet the pressure of the moment.—That the sudden discredit of a considerable quantity of paper which had been issued by different banks, in itself produced a deficiency of the circulating medium, which, in the ordinary course of things, could not be immediately replaced; and that this deficiency occasioned material inconvenience in mercantile transactions.—That in addition to this immediate effect, these circumstances also were represented to have induced bankers and others to keep in their hands a greater quantity of money than they thought necessary in the usual train of business; and that large sums were thus kept out of circulation, and great difficulty arose in procuring the usual advances on bills of exchange, particularly those of a long date.—That many persons were said to be possessed of large stocks of goods, which they could not at present dispose of; and on the credit of which they could not raise money.—That this occasioned an interruption of the usual orders to manufacturers, which circumstance, together with the interruption of the means by which they were enabled

to make their weekly payments, tended to prevent the employment of a number of persons engaged in different manufactures. That these evils were represented as likely rapidly to increase to a very serious extent, if some extraordinary means were not adopted to restore credit and circulation.—That in consequence of these representations, he had desired a meeting of different gentlemen, in order to obtain the best information in his power respecting the extent of the evil, and the possibility and propriety of any measure to remedy it.—That after much discussion, all the gentlemen present seemed to agree in a very strong opinion of the extent of the evil; though many objections at first occurred to any plan for remedying it.—That in the result, it was agreed to desire the gentlemen whose names were mentioned in the paper now delivered, to meet, the next day, at the Mansion-House, to consider more particularly the proposal for the issue of Exchequer bills to a certain amount, to be advanced under proper regulations, for the accommodation of such persons as might apply for the same, and likewise the objections to which such a proposal might be liable; and that the paper which he had laid before the committee contained the opinion of this second meeting.

The Lord Mayor informed the committee, that in conformity to the statement mentioned by the Chancellor of the Exchequer, eleven gentlemen met at the Mansion-House on the 23d, selected principally from that part of the preceding meeting who had expressed the greatest difficulty in finding out a remedy; and, after a long discussion upon the subject, they unanimously were of opinion, that the interposition of Parliament was necessary, and that an issue of Exchequer bills, under certain regulations and stipulations, was the best practical remedy.

*Macpherson's Annals of Commerce*, p. 266.—

A.D. 1793.

At this time also, the concerns of both merchants and manufacturers were much more widely extended, and were much greater than at any former period; a natural effect of increasing prosperity, and, sometimes, a cause of ensuing calamity. From the operation of causes, which I shall not pretend to explain, the unprecedented number of bankruptcies in November, 1792, was prodigiously exceeded in number and amount by those which took place in the spring and summer of this year; 105 in March; 188 in April; 209 in May; 158 in June; and 108 in July. Many houses of the most extensive dealings and most established credit, failed; and their fall involved vast numbers of their correspondents and connexions in all parts of the country. Houses of great respectability and undoubted solidity, possessing ample funds, which actually did, in a short time, enable them to pay every shilling of their debts, were obliged to stop payment; and some bankers, who, almost immediately on recovering from the first panic, resumed the regularity of their payments, were obliged to make a pause. Many whom the temporary assistance of even a moderate sum of money would have enabled to surmount their difficulties, could not obtain any accommodation; for, in the general distress and dismay, every one looked upon his neighbour with caution, if not with suspicion. It was impossible to raise any money upon the security of machinery or shares of canals; for the value of such property seemed to be annihilated in the gloomy apprehensions of the sinking state of the country, its commerce and manufactures; and those who had any money, not knowing where

they could place it with safety, kept it unemployed and locked up in their coffers.

Amidst the general calamity, the country banks, which were multiplied greatly beyond the demand of the country for circulating paper currency, (there being about 288, or, according to other accounts, 400 of them in England and Wales,) and whose eagerness to push their notes into circulation had laid the foundation of their own misfortunes, were among the greatest sufferers, and, consequently, the greatest spreaders of distress and ruin among those connected with them; and they were also the chief cause of the great drain of cash from the Bank of England, exceeding every demand of the kind for about ten years back. Of these banks, above 100 failed, whereof there were twelve in Yorkshire; seven in Northumberland; seven in Lincolnshire; six in Sussex; five in Lancashire; four in Northamptonshire; four in Somersetshire, &c.

In consequence of an interview of several of the principal merchants and traders with Mr. Pitt, the Prime Minister, a meeting was held at the Mansion-House, (April 23d,) to concert measures for putting a stop to this terrible calamity; when the Lord Mayor, and Messrs. Anderson, Bosanquet, Forster, Chiswell, Baring, Thornton, Harman, Winthrop, Boddington, and Hunter, after much deliberation, drew up the outlines of a plan for the revival of commercial credit, and the restoration of confidence, by a Parliamentary advance of Exchequer bills, under proper regulations, to houses of real capital; a copy of which was immediately laid before Mr. Pitt, by the Lord Mayor and Mr. Bosanquet.

A. (2)

*The following fragment was written in* 1822, *with a view to insertion in my former work, entitled "Thoughts and Details of the high and low Prices of the thirty Years, ending* 1822. Part I."

ON THE EFFECTS OF ALTERATIONS IN THE CURRENCY.

Having stated the grounds on which I consider the utmost effect on prices that may be ascribed to the bank restriction to be the difference between paper and gold, or in the absence of any quotations of gold, the depression of the exchange below par; it strikes me that there is one view in which it may be a question whether prices were affected by the restriction quite to that extent. There is no doubt that the measure would be quite accurate, supposing that the bank directors, if the restriction had not taken place, would or could have so regulated their issues, as to have preserved the price of gold constantly at or below the mint-price and the exchanges at par. But, in point of fact, there were previously to 1797 some occasions when the price of gold in the market was above the mint-price, and there were many more when the depression of the exchanges was to a still greater degree than would be inferred from a reference to the price of gold only.

From August 7, 1795, to June, 1796, no price of gold is quoted in any of the lists laid before Parliament; but, it appears by the evidence of Mr. Abraham Newland, (Report of Lords' Committee of Secrecy, 1797, p. 49,) that in that interval the market-price was considerably above the mint price of gold.

Q. "Has the price of gold at any time within the last two years been as high as 4 guineas per ounce, when guineas could be purchased at the rate of 3*l.* 17*s.* 10½*d.* per ounce; and was there not, at that time, reason to apprehend that they would either be melted or clandestinely exported?

A. I believe that gold, within the last two years, has been at a higher price than 4*l.* 4*s.* per ounce, which is a great inducement for persons to melt the guineas which are circulated at 3*l.* 17*s.* 10½*d.*

Q. Does the bank ever pay more in their purchase of gold than the mint price?

A. Frequently.

Q. Do the bank in such case carry their gold to the mint to be coined?

A. They do.

Q. What is the highest price you ever knew the bank pay for gold per ounce.

A. 4*l.* 1*s.*, 4*l.* 2*s.*, 4*l.* 6*s.*, and as high as 4*l.* 8*s.*, but very seldom at those prices.

Q. State to the committee at what time the bank gave so large a price as 4*l.* 8*s.*, and what were their reasons for giving a price so much above what they give at present.

A. I believe it was about two years since the bank gave so large a price as 4*l.* 8*s.* per ounce for gold; it was but a small quantity, it was soon stopped on account of its price; the bank at that time thought it expedient to obtain gold from Portugal, which their agent could not do at a less price than 4*l.* 8*s.*"

During the interval referred to by Mr. Newland, the exchange on Hamburg fell from 36*s.*, which it had been at in February, 1795, to 32*s.* 4*d.* in August, and continued on an average under 33*s.* till February, 1796. The price of silver rose from 5*s.* 1*d.* in February, 1795, to 5*s.* 5½*d.* in

September following, and was as high as 5*s.* 6*d.* in July, 1796.

This rise in the price of bullion and depression of the exchanges may be easily accounted for by the combined effect of a large government expenditure, and considerable imports of corn; but still it is material to bear in mind that the market-price of gold and silver, and the foreign exchanges, were liable to no inconsiderable degree of fluctuation, even in a convertible state of the currency and a perfect state of the gold coin.

A still more remarkable instance of fluctuation in the exchanges, and in the price of silver and foreign gold, is observable in an anterior period. The period to which I allude is from the latter part of the American war of independence, viz., from January, 1781, till the close of 1783, which was twelvemonths after the signing of preliminaries of peace.

The exchange on Hamburg for two years preceding 1781, had ranged from 36*s.* to 34*s.*, the price of silver from 5*s.* 2*d.* to 5*s.* 5½*d.*; and the price of foreign as well as standard gold had been mostly at 3*l.* 17*s.* 6*d.*, in no instance exceeding 3*l.* 17*s.* 10½*d.* In January, 1781, the price of standard and foreign gold were both at 3*l.* 17*s.* 6*d.*; silver 5*s.* 5¼*d.* and the exchange on Hamburg, 34*s.* 1*d.* At the close of 1782, the standard gold was quoted at 3*l.* 17*s.* 9*d.*, foreign gold was at 4*l.* 1*s.* and 4*l.* 2*s.*; the price of silver 5*s.* 9½*d.* and 5*s.* 11½*d.*; and the exchange on Hamburg, from 32*s.* 11*d.* to 31*s.* 8*d.* In June, 1783, foreign gold was at 4*l.* 2*s.* 3*d.*, standard silver 5*s.* 10*d.*, and the exchange on Hamburg, 31*s.* 5*d.* And it was not till the spring of 1784 that all these resumed the level from which they had departed in 1781, making an interval of upwards of three years, in which, while the paper was strictly convertible, and the gold coin perfect, the currency was of a diminished value compared with the currencies of other countries.

It might naturally be inferred, that there would be a considerable efflux of the metals; and there is direct proof that the drain of bullion from the bank for exportation was very great; for it is stated, in the Evidence before the Lords' Committee of Secrecy, 1797, that the cash in the bank was lower in 1783 than at the memorable period of February, 1797. The fact, and the reason assigned for the fact, are so curious, that I cannot resist making the following extract from the examination of Mr. Bosanquet, Minutes of Evidence, p. 20:—

Q. "Was you a director of the bank in 1783?

A. I was.

Q. It appearing, by the scale of cash in the bank, in 1783, that it was much lower than on the 26th of February last, can you state to the Committee what measures were then pursued by the bank?

A. I cannot answer that question, without taking notice of the very different situation the country was in at the two periods of 1783 and the beginning of 1797. In the first period, the drain of cash proceeded from the great extension of commerce which followed the peace, and which occasioned so considerable an export of the commodities of this country, that the circulation was hardly sufficient to support it. It was evident that if this drain could be supported for a short time, the influx of wealth that must follow, from the return of the amount of the exports, would amply compensate for the preceding drain, and so it turned out. The bank directors, therefore, without opening the state of their affairs to the then administration, took a bold step of their own authority, and refused to make the advances on the loan of that year *. This answered the purpose of making a tem-

* It was a bold step indeed, for it reduced the circulation of bank notes at once from about nine millions to six millions, and yet this reduction, great as it was, does not appear to have had the effect of

porary suspension in the amount of the drain of their specie. The time at which they had most ground of alarm was not when their cash was at the lowest, but about April or May, when they refused to advance on the loan; and although in October their cash was lower than before, yet they had such reason to expect a sum in their favour by a favourable alteration of the exchanges, that they were under much less apprehensions than they were in the spring.

Q. Is it to be understood that no measures were taken by the bank at that time to procure cash or bullion?

A. I do not recollect that any particular mode was adopted to procure cash or bullion, nor do I know how any effectual one could be adopted, for if the exchanges (I do not know what they were at that period) would not enable individuals to bring cash into the country, it would answer no purpose for the bank to attempt to do it, which would only make the exchanges still more unfavourable. On recollection, I do not know whether some attempts were not made to bring gold from Lisbon and Amsterdam, at a considerable loss, but think it could not have been to a large amount; certainly when the object was only to gain time, it might answer to bring it in, although at a loss."

Here it is to be observed that the drain of cash was considered as the effect of *extended commerce in consequence of the peace.* It might, however, with more probability be referred to two circumstances unconnected with the peace. The one, a *previous greatly-enlarged issue of bank notes*, and the other, a very considerable importation of grain in 1783, as a consequence of the bad harvest of 1782. But, whatever might be the cause of the depression of the exchanges, so much below even the silver par, and of the consequent efflux of the metals, for so long a period, the fact itself is material,

raising the exchange, or arresting the drain of treasure, till nearly six months after.

as proving, that even while the currency was undepreciated, according to its standard in this country, it was liable to considerable fluctuation in value, relatively to the currencies of other countries; and that the extent of this fluctuation of the exchange, *viz.*, from 36*s.* in 1779, to 31*s.* 5*d.* in 1783; and again to 37*s.* 6*d.* in 1793, *viz.*, a fall of about 14 per cent., and a rise of nearly 20 per cent., should be deducted from the effects ascribed specifically to the operation of the restriction on cash payments.

I am perfectly aware that a considerable proportion of the fluctuation of the exchanges, in the period which I have noticed between 1779 and 1793, is referable to alterations in the relative values between gold and silver; but so, likewise, has it been in the subsequent period. Subject to this allowance, it will appear that measuring the value of the currency of this country, either by the exchange with Hamburg, which has the most perfect metallic standard, or by the price of silver, there was not in the whole period of upwards of ten years following the bank restriction, with the exception of very short intervals in the years 1800 and 1801, a greater variation than had occurred in periods preceding 1797, when the paper was convertible and the coin perfect; and the legitimate practical inference is, that if the run on the bank, in 1797, had subsided so as to have precluded the suspension, and that the bank had subsequently, while liable to pay in cash, regulated its issues, as it had done previously, there would not, down to the close of 1808, have been any sensible difference of prices, compared with those which actually prevailed.

* * * *

B.

**MONTHLY AVERAGE taken from the Amount of the Weekly Issues of all the Promissory Notes and Post Bills of the Bank of England, from April 1822, to March 1825, inclusive.**

| | 1822. | 1823. | 1824. |
|---|---|---|---|
| April | £ 18,215,955 | £ 18,567,423 | £ 20,647,449 |
| May | 17,820,347 | 18,288,297 | 19,926,896 |
| June | 16,601,214 | 17,050,415 | 19,141,058 |
| July | 19,514,806 | 19,700,495 | 21,660,973 |
| August | 18,517,694 | 19,743,656 | 20,775,886 |
| September | 17,071,843 | 18,234,629 | 19,177,783 |
| October | 17,575,968 | 18,681,589 | 20,355,378 |
| November | 17,453,767 | 20,406,565 | 21,123,242 |
| December | 16,896,217 | 17,955,779 | 19,553,772 |
| | 1823. | 1824. | 1825. |
| January | 19,096,477 | 19,800,615 | 21,884,743 |
| February | 18,174,771 | 20,067,549 | 21,383,658 |
| March | 17,339,536 | 19,093,682 | 19,847,514 |

# C.

## COURSE of EXCHANGE on Paris in 1823, 24, and 25.

| The Par is as nearly as possible F. 25 15. | | | Rates at which Bills were actually negotiated at Sight. | | | | Price of Gold. | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | £. | s. | d. |
| 1823 | January | 17 | 25 | 47½ | a. | 25 50 | | | |
| | February | 21 | 25 | 55 | — | 25 60 | | | |
| | March | 18 | 25 | 70 | — | 25 72½ | | | |
| | April | 22 | 25 | 75 | — | 25 77½ | | | |
| | May | 23 | 25 | 82½ | — | 25 85 | | | |
| | June | 17 | 25 | 67½ | — | 25 70 | | | |
| | July | 18 | 25 | 70 | — | 25 75 | | | |
| | August | 19 | 25 | 75 | — | 25 80 | | | |
| | September | 19 | 25 | 80 | — | 25 82½ | | | |
| | October | 28 | 25 | 62½ | — | 25 67½ | | | |
| | November | 28 | 25 | 60 | — | 25 62½ | 3 | 17 | 6 |
| | December | 26 | 25 | 32½ | — | . . . | | | |
| 1824 | January | 6 | 25 | 52½ | — | 25 55 | | | |
| | May | 25 | 25 | 35 | — | 25 40 | | | |
| | June | 29 | 25 | 35 | — | 25 37½ | | | |
| | July | 30 | 25 | 15 | — | 25 20 | | | |
| | August | 31 | 25 | 20 | — | 25 15 | | | |
| | September | 28 | 25 | 22½ | — | 25 25 | | | |
| | October | 29 | 25 | 10 | — | 25 12½ | | | |
| | November | 30 | 25 | 05 | — | 25 10 | | | |
| | December | 31 | 25 | 05 | — | . . . | | | |
| 1825 | January | 28 | 25 | 05 | — | 25 10 | 3 | 17 | 9 |
| | March | 1 | 25 | 05 | — | 25 07½ | | | |
| | April | 5 | 25 | 10 | — | 25 12½ | | | |
| | May | 8 | 25 | 10 | — | 25 12½ | | | |
| | June | 8 | 25 | 05 | — | 25 07½ | | | |
| | July | 1 | 25 | 05 | — | 25 10 | 3 | 17 | 10½ |
| | August | 2 | 25 | 07½ | — | 25 10 | | | |
| | September | 6 | 25 | 10 | — | 25 12½ | | | |
| | ,, | 27 | 25 | 17½ | — | 25 20 | | | |
| | October | 7 | 25 | 25 | — | 25 27½ | 3 | 17 | 6 |
| | ,, | 18 | 25 | 15 | — | 25 17½ | | | |
| | ,, | 21 | 25 | 17½ | — | 25 20 | 3 | 17 | 8 |
| | November | 4 | 25 | 10 | — | 25 15 | 3 | 17 | 9 |
| | ,, | 18 | 25 | 07½ | — | 25 10 | | | |
| | December | 2 | 25 | 12½ | — | 25 15 | 3 | 17 | 10½ |
| | ,, | 6 | 25 | 15 | — | 25 20 | | | |
| | ,, | 9 | 25 | 20 | — | 25 25 | | | |
| | ,, | 20 | 25 | 30 | — | 25 35 | | | |
| | ,, | 23 | 25 | 35 | — | 25 27½ | 3 | 17 | 6 |
| | ,, | 27 | 25 | 20 | — | 25 25 | | | |
| | ,, | 30 | 25 | 20 | — | 25 25 | | | |

# D.

## TABLE I.—Shewing the SCALE of CASH and BULLION in the Bank from 1782 to 1797.

This and the three following Tables are taken from the *Monthly Magazine*, for October, 1797.

| Date. | No. | Date. | No. | Date. | No. | Date. | No. | Date. | No. |
|---|---|---|---|---|---|---|---|---|---|
| 1782 | | | | 1789 | | | | 1796 | |
| March | *602 | December 31 | 1226 | March 28 | 1462 | September 28 | 1032 | January | 558 |
| June | 586 | 1786 | | June 27 | 1634 | December 29 | 868 | March | 490 |
| September | 382 | March 24 | 1178 | September 26 | 1764 | 1798 | | May | 438 |
| December | 852 | June 30 | 1220 | December 24 | 1756 | March 30 | 580 | July | 414 |
| 1783 | | September 30 | 1256 | 1790 | | June 29 | 728 | September | 418 |
| March | 208 | December 30 | 1190 | March 26 | 1712 | September 28 | 1128 | December | 414 |
| June | 136 | | | June 25 | 1652 | December 30 | 1274 | 1797 | |
| October | 78 | 1787 | | September 24 | 1684 | 1794 | | January | 338 |
| December | 116 | March 21 | 1096 | December 31 | 1616 | March 29 | 1420 | February 4 | 340 |
| 1784 | | June 30 | 1140 | 1791 | | June 28 | 1354 | „ 11 | 356 |
| June | 224 | September 28 | 1270 | March 26 | 1516 | September 27 | 1336 | „ 18 | 314 |
| September 25 | 326 | December 29 | 1186 | June 25 | 1552 | December 24 | 1282 | „ 21 | 298 |
| December 31 | 445 | 1788 | | September 24 | 1582 | 1795 | | „ 22 | 284 |
| 1785 | | March 29 | 1124 | December 31 | 1420 | March | 1810 | „ 23 | 268 |
| March 19 | 582 | June 28 | 1240 | 1792 | | June | 1214 | „ 24 | 210 |
| June 25 | 884 | September 27 | 1404 | March 31 | 1236 | September | 956 | „ 25 | |
| September 24 | 1174 | December 24 | 1488 | June 30 | 1132 | December | *660 | | |

*This number has been stated to represent fair cash.

## TABLE II.——Shewing the STATE of the FINANCES of the BANK on the 26th February, 1797.

| *Dr.* | |
|---|---|
| Bank Notes in circulation | £ 8,640,250 |
| Drawing Account—Audit Roll, Exchequer Bills deposited, and other Debts | 5,130,140 |
| | 13,770,390 |
| Balance | 3,826,890 |
| | 17,597,280 |

| *Cr.* | |
|---|---|
| Advances on Government Securities | £ 10,672,490 |
| By all other Credits, including Cash, Bullion, Bills discounted, &c. | 6,924,790 |
| | £ 17,597,280 |

PARTICULARS OF DEBIT ACCOUNT.

| | |
|---|---|
| Drawing Account | £ 2,389,600 |
| Exchequer Bills deposited | 1,676,000 |
| Audit Roll (or unpaid dividends) | 983,730 |
| Bank Stock dividends unclaimed | 45,150 |
| Dividends unclaimed on East India Annuities | 10,210 |
| Sundry small articles unclaimed | 1,330 |
| Due from Chief Cashier on the loan of 1797 | 17,060 |
| Unpaid Irish dividends | 1,460 |
| do. on the Imperial Loan | 5,600 |
| | £ 5,130,140 |

PARTICULARS OF CREDIT ACCOUNT.

| | |
|---|---|
| Bills and Notes discounted, Cash and Bullion | £ 4,176,080 |
| Exchequer Bills | 8,228,000 |
| Lands and Tenements | 65,000 |
| Money lent on Mortgage, on Annuities of £1,200,000 to the East India Company | 700,000 |
| Stamps | 1,510 |
| Navy and Victualling Bills | 15,890 |
| American Debentures, 1790 | 54,150 |
| Petty Cash in the house | 5,320 |
| Sundry articles | 24,150 |
| 5 per Cents. Ann. from Navy | 795,800 |
| 5 per Cents. 1797 | 1,000,000 |
| Treasury Bills paid for Government | 1,512,270 |
| Loan to Government without interest | 376,000 |
| Bills discounted unpaid | 88,120 |
| Treasury and Exchequer fees | 740 |
| Interest due on different sums advanced to Government | 554,250 |
| | £ 17,597,280 |

[*Monthly Magazine* for October, 1797, p. 249, entitled Table II.]

TABLE III.——Being a SCALE of DISCOUNTS from 1782 to 1797 in which unit is the medium.

| Year. | Scale. | Year. | Scale. |
|---|---|---|---|
| 1782 | 1 to $1\frac{1}{4}$ | 1790 | 1 to $\frac{1}{4}$ to $\frac{1}{4}$ |
| 1783 | $1\frac{1}{4}$ to 1 to $1\frac{1}{4}$ | 1791 | |
| 1784 | $1\frac{1}{4}$ to $1\frac{1}{4}$ | 1792 | $\frac{1}{4}$ to 1 |
| 1785 | $1\frac{1}{4}$ to 2 to $1\frac{1}{4}$ | 1793 | 1 to $3\frac{1}{2}$ to 1 |
| 1786 | about 1 | 1794 | 1 to $1\frac{1}{2}$ to 1 |
| 1787 | $1\frac{1}{2}$ to $1\frac{1}{2}$ | 1795 | 1 to $\frac{1}{4}$ to 1 |
| 1788 | $1\frac{1}{4}$ to $1\frac{1}{4}$ to $\frac{1}{4}$ | 1796 | $1\frac{1}{4}$ to 2 to $1\frac{1}{4}$ to 2 |
| 1789 | $\frac{1}{4}$ to $\frac{1}{4}$ | 1797 | 2 to $1\frac{1}{2}$ to $2\frac{1}{2}$ * |

* This is brought down to the 16th of March or thereabouts.

TABLE IV.——Being a MONTHLY SCALE of DISCOUNTS for the years 1793, 1794, 1795, and 1796.

| Date. | No. | Date. | No. | Date. | No | Date. | No. |
|---|---|---|---|---|---|---|---|
| 1793 | | 1794 | | 1795 | | 1796 | |
| Jan. 5 | 214 | Jan. 4 | 101 | Jan. 4 | 104 | Jan. 2 | 179 |
| Feb. 1 | 209 | Feb. 1 | 110 | Feb. 7 | 107 | Feb. 6 | 152 |
| March 2 | 217 | March 1 | 131 | March 7 | 103 | March 5 | 137 |
| April 6 | 220 | April 5 | 137 | April 11 | 187 | April 2 | 131 |
| May 4 | 283 | May 3 | 139 | May 2 | 176 | May 7 | 129 |
| June 1 | 231 | June 13 | 147 | June 6 | 157 | June 3 | 168 |
| July 6 | 178 | July 5 | 149 | July 4 | 220 | July 2 | 165 |
| August 3 | 123 | August 2 | 120 | August 1 | 151 | August 6 | 163 |
| Sept. 7 | 93 | Sept. 6 | 90 | Sept. 5 | 85 | Sept. 3 | 151 |
| Oct. 5 | 102 | Oct. 4 | 92 | Oct. 3 | 79 | Oct. 1 | 189 |
| Nov. 8 | 91 | Nov. 8 | 85 | Nov. 7 | 96 | Nov. 3 | 178 |
| Dec. 7 | 89 | Dec. 1 | 85 | Dec. 5 | 140 | Dec. 3 | 171 |

"By comparing these tables with each other, and also with some parts of the evidence delivered before the committees, it will appear that the truth which they were intended to conceal, is in a great degree capable of being unravelled. I have very good reason for believing (although the circumstance is not inserted in either of the reports), that one of the directors acknowledged that the Bank, in the course of six days before it stopped payment, had been drained of its cash, after the rate of 100,000*l.* each day. From the 18th to the 25th of February, therefore, the sum of 600,000*l.* was paid, and the fictitious number was, in consequence, reduced from 314 to 210. Hence it follows, that the mean number 660 denotes the sum of four millions, and that the sum of 1,272,000*l.*, represented by the number 210, was very nearly the cash remaining in the Bank on the day in which the directors were prohibited, by an order of council, from the further payment of their notes in money.

In Table II., it appears that the amount of cash and bullion, and bills discounted on the 26th of February was 4,176,080*l.*; deducting 1,272,000*l.* from this sum, the remainder, or 2,904,080*l.*, will be the whole amount of the discounts on that day.

In Table III., the scale of discounts in the beginning of the year 1797, is expressed by the number 2; and on the 15th March following, by the number 2½. In February, therefore, it is most probably expressed by the intervening number 1½. Now, since unit is the medium, and the amount of the discounts on the 26th February appears to be three millions nearly, it is highly probable that this unit denotes two millions, and consequently that the fraction ½ denotes one million. The truth of this supposition is in a great measure confirmed by the evidence of Mr. Giles *, who acknowledges that, in the course of a little more than a fortnight after the Bank had stopped payment, they had in-

* See the Report of the Secret Committee, p. 54,

creased their discounts about two millions; and, in consequence, we find the scale is increased an unit, from $1\frac{1}{2}$ to $2\frac{1}{2}$, which accords exactly with this evidence. Comparing the numbers in Table III. with those in the following table, the mean number in the latter, or that which expresses two millions, appears to be 90. If, therefore, the cash and bullion, and the discounts be reduced agreeable to those solutions, their amount compared with the bank notes in circulation, and the advances to government (as stated in the reports of the committees) will be as follows:"

| DATE. | Cash and Bullion. | Average of Bank Notes circulated. | Bills discounted. | Average Advances to Government. |
|---|---|---|---|---|
| 1793 March . . | 3,598,000 | 11,963,820 | 4,817,000 | 8,785,200 |
| June . . . | 4,412,000 | 12,100,650 | 5,128,000 | 9,434,000 |
| September | 6,836,000 | 10,938,620 | 2,065,000 | 9,455,700 |
| December | 7,720,000 | 10,967,310 | 1,976,000 | 8,887,500 |
| 1794 March . . | 8,608,000 | 11,159,720 | 2,908,000 | 8,494,100 |
| June . . . | 8,208,000 | 10,866,450 | 3,263,000 | 7,735,800 |
| September | 8,096,000 | 10,313,940 | 2,000,000 | 6,779,800 |
| December | 7,768,000 | 10,927,970 | 1,887,000 | 7,545,100 |
| 1795 March . . | 7,940,000 | 12,432,240 | 2,287,000 | 9,778,700 |
| June . . . | 7,856,000 | 10,912,680 | 3,485,000 | 10,879,700 |
| September | 5,792,000 | 11,034,790 | 1,887,000 | 10,197,600 |
| December | 4,000,000 | 11,608,670 | 3,109,000 | 10,863,100 |
| 1796 March . . | 2,972,000 | 10,824,150 | 2,820,000 | 11,351,000 |
| June . . . | 2,582,000 | 10,770,200 | 3,730,000 | 11,269,700 |
| September | 2,532,000 | 9,720,440 | 3,352,000 | 9,901,100 |
| December | 2,508,000 | 9,645,710 | 3,796,000 | 9,511,400 |
| 1797 Feb. 26 | 1,272,000 | 8,640,250 | 2,905,000 | 10,672,490 |

Thus far is extracted literally from the *Monthly Maga-*

*zine*, for October, 1797, p. 249 to 251. The following Table, No. 5, is made up, as far as relates to the scale of cash and bullion and of discounts, from materials furnished by the foregoing Tables, Nos. 1 to 3. The amount of bank notes in circulation, and of advances to government, from 1782 to 1792, is extracted from the Reports of the Lords' Committee of Secrecy in 1797, p. 96 and 98.

TABLE V.——Shewing the SCALE of CASH and BULLION in the BANK, the Amount of Notes in circulation, of Bills discounted, and of Advances to Government, from 1782 to 1797.

| DATE. | Scale. | Cash and Bullion. | Amount of Bank Notes in Circulation. | | Bills discounted. (Scale of Discounts.) | Advances to Government. |
|---|---|---|---|---|---|---|
| | | Computation at 660 to 4,000,000. | | | Unit supposed to be 2,000,000. | |
| 1782 Mar. | 602 | 3,648,000 | Mar. | 9,160,470 | | |
| June. . | 586 | 3,552,000 | June | 8,775,680 | 1 to 1¾ | 9,991,678 |
| Sept. . | 382 | 2,333,000 | Oct. | 6,371,800 | | |
| Dec. . . | 352 | 2,133,000 | Dec. | 5,994,970 | | |
| 1783 Mar. . | 208 | 1,261,000 | Mar. | 7,338,230 | | |
| June. . | 136 | 824,000 | June | 6,970,660 | 1¾ to 1 to 1¼ | 9,629,071 |
| Oct. . . | 78 | 473,000 | Oct. | 5,894,520 | | |
| Dec. . . | 116 | 703,000 | Dec. | 6,006,950 | | |
| 1784 June. . | 224 | 1,355,000 | June | 6,716,950 | | |
| Sept. 25 | 326 | 1,976,000 | Oct. | 6,073,480 | 1¼ to 1¾ | 7,565,853 |
| Dec. 31 | 445 | 2,697,000 | Dec. | 5,948,380 | | |
| 1785 Mar. 19 | 582 | 3,527,000 | | | | |
| June 25 | 884 | 5,358,000 | | | | |
| Sept. 24 | 1174 | 7,115,000 | . . . | . . . . | 1¾ to 2 to 1¾ | 7,030,200 |
| Dec. 31 | 1226 | 7,430,000 | | | | |
| 1786 Mar. 24 | 1178 | 7,139,000 | | | | |
| June 30 | 1220 | 7,394,000 | | | | |
| Sept. 30 | 1256 | 7,612,000 | . . . | . . . . | about 1 | 6,634,872 |
| Dec. 30 | 1190 | 7,212,000 | | | | |
| 1787 Mar. 21 | 1096 | 6,642,000 | | | | |
| June 30 | 1140 | 6,909,000 | | | | |
| Sept. 28 | 1270 | 7,697,000 | Feb. 25 | 8,688,570 | 1¾ to 1½ | 7,144,896 |
| Dec. 29 | 1186 | 7,188,000 | | | | |

TABLE V.—*Continued.*

| DATE. | Scale. | Cash and Bullion. | Amount of Bank Notes in Circulation. | | Bills discounted. (Scale of Discounts.) | Advances to Government. |
|---|---|---|---|---|---|---|
| | | Computation at 660 to 4,000,000. | | | Unit supposed to be 2,000,000. | |
| 1788 Mar. 29 | 1124 | 6,812,000 | | | | |
| June 28 | 1240 | 7,515,000 | | | | |
| Sept. 27 | 1404 | 8,509,000 | Feb. 25 | 9,370,350 | 1¼ to 1⅛ to ⅞ | 7,347,699 |
| Dec. 24 | 1438 | 8,715,000 | | | | |
| 1789 Mar. 28 | 1462 | 8,861,000 | | | | |
| June 27 | 1634 | 9,903,000 | | | | |
| Sept. 26 | 1764 | 10,691,000 | „ | 9,905,240 | ¾ to ½ | 7,948,435 |
| Dec. 24 | 1756 | 10,642,000 | | | | |
| 1790 Mar. 26 | 1712 | 10,376,000 | | | | |
| June 25 | 1652 | 10,012,000 | | | | |
| Sept. 24 | 1685 | 10,204,000 | „ | 10,217,360 | 1 to ½ to ¼ | 7,908,968 |
| Dec. 31 | 1616 | 9,794,000 | | | | |
| 1791 Mar. 26 | 1516 | 9,188,000 | | | | |
| June 25 | 1552 | 9,406,000 | | | | |
| Sept. 24 | 1582 | 9,588,000 | „ | 11,699,140 | 1 to ½ to ¼ | 9,603,978 |
| Dec. 31 | 1420 | 8,606,000 | | | | |
| 1792 Mar. 31 | 1236 | 7,491,000 | | | | |
| June 30 | 1132 | 6,861,000 | | | | |
| Sept. 28 | 1032 | 6,255,000 | „ | 11,349,810 | ½ to 1 | 9,339,338 |
| Dec. 29 | 868 | 5,260,000 | | | | |

# E.

## ACCOUNT of PROFIT and LOSS of the BANK of FRANCE, for the Six Months expiring 31st December, 1825.

| *Dr.* | | *Cr.* | |
|---|---|---|---|
| Charges of Management, Salaries, &c. | *F.* 479,000 | Discount on 359 million Bills, discounted at four per cent. | *F.* 2,515,000 |
| Interest on 141 million Bills, discounted, not yet due | 678,000 | Discount on 40 million Bons Royaux | 129,000 |
| Balance, or Profit | 3,978,000 | Six months' Interest on 2,226,000 rentes, 5 per cent. | 1,113,000 |
| | | Interest on Certificats d'Emprunt | 632,000 |
| | | Interest on Advances made against Deposits of Sovereigns and Ingots | 228,000 |
| | | Discount on 103 million of Bills, discounted previous to July 1, 1825, falling due subsequently | 428,000 |
| | | Sundry Profits | 90,000 |
| | *F.* 5,135,000 | | *F.* 5,135,000 |

*Capital*, 67900 *shares*, 1000f. *each*.
1st dividend 30f.
2d do. 19
Reserved 9.50 Invested in Rentes.

On the 31st Dec. 1825, the Bank had about 240 millions Notes in circulation,
90 do. Specie,
86 do. Sovereigns and Foreign Coin,
and had 60 millions Francs deposits.

The Bank discounts three days a week, at 4 per cent., Bills from one to three months; the amount discounted each day varies from five to seven up to twelve millions of Francs.

# F.

COMPARATIVE STATEMENT of the PRICES of the following Articles in the Years 1823, 1824, and 1825.

| ARTICLES. | | Prices in 1823. (In Bond.) | | Prices in 1824. (In Bond.) | | Prices in 1825. (In Bond.) | |
|---|---|---|---|---|---|---|---|
| | | Lowest. | Highest. | Lowest. | Highest. | Highest. | Lowest. |
| | | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| Cochineal, | Spanish . . . . | 20 0 | 24 0 | 19 0 | 20 0 | 26 0 | 19 0 |
| Coffee, | British Plantation* | 120 0 | 142 0 | 100 0 | 114 0 | 133 0 | 100 0 |
| | St. Domingo . . | 82 0 | 112 0 | 58 0 | 75 0 | 88 0 | 56 0 |
| Cotton, | Bowed Georgia . | 0 8½ | 0 10½ | 0 9 | 0 9¾ | 1 6½ | 0 9¼ |
| | Bengal and Surat | 0 6½ | 0 8¼ | 0 6½ | 0 8¼ | 1 1½ | 0 6¼ |
| Indigo, | East India . . . | 9 9 | 12 0 | 9 0 | 15 0 | 16 0 | 12 0 |
| | | £. s. | £. s. | £. s. | £. s. | £. s. | £. s. |
| Iron, | British . . . . . | 6 0 | 7 0 | 6 0 | 11 0 | 18 0 | 10 0 |
| Lead, | British . . . . | 22 10 | 23 10 | 23 0 | 23 10 | 30 10 | 22 10 |
| | | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| Saltpetre, | East India . . . | 24 0 | 39 0 | 20 0 | 28 0 | 36 0 | 24 0 |
| Spices, | Cinnamon . . . | 6 8 | 8 3 | 6 8 | 7 6 | 13 6 | 7 6 |
| | Mace . . . . . | 5 2 | 6 3 | 4 8 | 5 10 | 18 0 | 5 6 |
| | Nutmegs . . . . | 3 1 | 3 6 | 2 8 | 5 8 | 12 0 | 3 6 |
| | Pepper, black . . | 0 5½ | 0 7¼ | 0 5¾ | 0 6¼ | 0 9½ | 0 6 |
| Sugar, | B.P. Gaz. average | 30 10 | 38 2¼ | 29 2 | 34 5½ | 45 2 | 36 11½ |
| | Havannah, white | 44 0 | 48 0 | 40 0 | 44 0 | 57 0 | 44 0 |
| Silk, | Reggio . . . . . | 11 6 | 16 0 | 11 6 | 15 0 | 17 0 | 12 0 |
| | China, Raw . . . | 20 0 | 22 0 | 20 0 | 21 0 | 28 0 | 20 0 |
| | | £. s. | £. s. | £. s. | £. s. | £. s. | £. s. |
| Spelter | . . . . . | . . . | . . . | 20 10 | 30 0 | 41 15 | 26 0 |
| | | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| Tallow, | St. Petersb. Y. C. | 31 0 | 37 0 | 31 6 | 34 6 | 43 0 | 31 6 |
| Tobacco, | Virg. ord. & mid. | 0 2½ | 0 3¼ | 0 2½ | 0 5½ | 0 6½ | 0 4 |
| Wool, | German, fine . . | 6 6 | 8 6 | 6 6 | 9 6 | 9 6 | 6 6 |

* In the early part of 1823, Prices of some Articles were driven up by a speculation upon the war-like aspect of politics, in consequence of the proposed invasion of Spain by France, and the apprehension that this country might be involved in the war.

Printed by WILLIAM CLOWES, Northumberland-Court, Strand.

AN

# ATTEMPT

TO EXPLAIN FROM FACTS

THE EFFECT OF

THE ISSUES

OF THE

# BANK OF ENGLAND

UPON ITS OWN INTERESTS, PUBLIC CREDIT,

AND

COUNTRY BANKS.

---

By ROBERT MUSHET.

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*LONDON:*

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# ADVERTISEMENT.

THE object of this publication is to explain the causes of the fluctuations in the money value of property, which have so frequently occurred in the history of our commerce and currency.

The extensive and frequent derangement of our internal and external trade, I have, from a variety of facts, endeavoured to trace to fluctuations in the amount of the circulating medium, sometimes in excess and sometimes in deficiency. When in excess it produces a spirit of general speculation and overtrading, which is followed as its consequence by the most extensive calamity. When in deficiency, it leads to a depression of prices, which deprives the capitalist of the fair profits of his industry and enterprize. I have endeavoured to show that both extremes have their origin in the mode in which our paper currency is administered. How far I have succeeded I must leave the candid reader to determine.

With regard to the facts which I have adduced, in my general reasoning, I can only say, that I have collected them with care, and a desire to be accurate. But from their great variety, and number of calculations necessary to obtain results, inaccuracies may have escaped me; for such I must throw myself on the indulgence of my readers.

*Royal Mint,*
*11th February*, 1826.

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## CHAPTER I.

Remarks on the present state of public credit.—The causes to which it may or may not be assigned.

THE cause of the present alarm in the commercial community and money market is a subject deserving the most serious attention. In a period of profound peace, externally and internally, and with a degree of national prosperity without a parallel in our national history, are we subjected to one of those revolutions in the value of property that can never exist without a cause, and is never terminated without bringing distress and inconvenience upon thousands. If such fluctuations in the value of property are inseparable from great commercial enterprize, we must enjoy ourselves in the sunshine when we have it, and contentedly bear the embarrassment of our credit when confidence is impaired. But this is not a legitimate result from the competition of capital in the commercial world. Competition may reduce profits, but in doing so its tendency is to give steadiness to the value of capital; and if the value of capital decline in consequence of reduced profits, it will decline in all employments rather than in any one in particular. But if in any one in particular, it usually happens that the cause can be ascertained.

In November (1824) three per cent consols were at 97¼, and on Friday, the 2d of September, 1825, they were sold for 86½, making a fall of 11¼ per cent in a period of eight months. To what cause was this decline in funded property to be ascribed? Various are the reasons that have been assigned. Some affirm that it was owing to the money transactions in Paris, to enable the French minister to carry his plan for the reduction of rentes into effect. Others say, that it was owing to the great demand for capital on account of the various companies that the abundance of capital had given rise to of late. Another, and perhaps the more prevalent opinion was, that the fall was occasioned by the necessity which the Bank of England felt to contract their issues, to prevent the drain of gold from their coffers which had existed for a period of about eighteen months.

To the two first-mentioned causes I am not inclined to add much importance. That a considerable quantity of gold should have been sent from London to Paris, I can readily believe. But the state of the exchange with Paris would have caused that exportation of gold, even though the French minister had had no financial measure in contemplation. Besides, in 1824, by a return made to the House of Commons from the Custom-house, there appeared to have been exported in that year upwards of four millions of gold, and during the period of its exportation the three per cents rose from 87 to 97.

During the early months of last year the exportation of gold continued, and was said to continue to the month of September; but as long as the state of the exchange renders gold a profitable article of export, it will leave the country; and if it was useful to the French minister to carry his plan into effect, it was so far fortunate for him that the state of our currency favoured his views; but it was the state of our currency, not his plans, that produced this large exportation of gold. Besides, a moment's reflection would convince those that contend for this view of the case, that if an exportation of gold had taken place to the extent of five millions (and some affirm that this was the amount amassed in Paris to accomplish the object of the minister) our currency would have been so raised in value by its diminution, that the exchange would have risen in our favour. But it was not the Paris exchange only that had been unfavourable to this country; considerable quantities of gold had been shipped for Holland, Hamburgh, and other places, all showing that it must be the cheapness of our currency alone that has caused it to leave us. That the excess has been very considerable is undoubted, from the circumstance of an exportation of gold amounting, it is said, to ten or twelve millions of sovereigns, having hardly had any effect in restoring the exchange to par.

Upon these grounds I am inclined to attach no

importance whatever to the finance measures of the French government as connected with the present state of commercial credit in London.

The second cause, the investment of capital in various projects now on foot, I am inclined to think, has produced very little effect, if any, on the state of public credit. If the whole surplus capital of the country were, as it accrues, devoted to new speculations—and if that were not enough, and stock were sold with the view of making good the deficiencies, then we might account for a fall in the price of government securities—though not for so rapid and so extensive a one as we have just witnessed. During the whole period of the war, and when taxation was at its highest, and when large annual loans were made, it was the opinion of the best informed political economists, that in no one year was the fixed capital of the country diminished by those loans and taxation, and it would surely be too much to affirm now, that the demand for capital, great as it may have been, exceeded the annual drain upon the national resources during the war. I am so far from being of this opinion, (which those ought in consistence to be, who attribute to the demand for capital the fall in the value of the government securities,) that I believe I may affirm that the aggregate demand for capital, for new projects, and I will even add the loans to the South American states, did not annually amount to

the reduction of taxes, now left in the hands of the people, since the termination of the war.

I am inclined to attribute the whole embarrassment now existing in the commercial and money market to the third cause mentioned, viz. the increase of our paper currency. To that recent and rapid diminunution in the amount of the currency, that has been felt in almost every counting and banking house in London, and that has more or less been felt by every country banker in England and Scotland; to this cause also I attribute the fall in the price of the government securities, and of all foreign stocks in our market.

The effect of a relative abundance or scarcity of currency upon the value of Government securities, and on commercial credit, is a subject of great interest, and one that has not, to my knowledge, received that attention which its importance demands. That its influence is most extensive, and attended with the most distressing results, I think I shall, from facts, be able to prove; and if satisfactorily, the intelligent reader will at once see the extent of mischief, as well as benefit, that may arise under the existence of the present establishment of the Bank of England.

It is admitted that currency is not capital, and therefore ought not, by its abundance or scarcity, to influence materially the value of capital, further than in its aiding its production. But it would appear, that

when currency is high in value, or scarce, government securities are low; and when low in value, or abundant, government stocks are high in price. In confirmation of this opinion, let us examine the state of the currency as connected with the price of stocks during the last years of the American war, and in subsequent periods.

## CHAPTER II.

An historical view of the effect of the state of the currency upon the price of government securities.

IN the years 1781 and 1782, the two last years of the American war, the three per cent consols were from 55 to 60, and in December of 1782 were as high as 66. The market price of foreign gold in coin, that had, in the first months of 1781, been 3*l.* 17*s.* 6*d.* per oz. rose in the latter months of the year to 3*l.* 19*s.* and 4*l.* 0*s.* 6*d.* per oz.. and the exchange with Hamburgh fell from 34.1 to 31.11; standard silver, which in the beginning of 1781 sold for 5*s.* 5*d.* rose to 5*s.* 9*d.* and 5*s.* 10*d.* per oz., and in 1782 gold rose to 4*l.* 2*s.* silver to 5*s.* 11$\frac{1}{2}$*d.* and the Hamburgh exchange fell to 31.10.

I have no doubt but the excess of the currency had, in the latter end of this year, an influence on the price of three per cent consols, which rose from 55 and 56 to 66. In 1783, the price of gold for the first nine months was from 4*l.* to 4*l.* 2*s.* per oz. and silver from 5*s.* 8*d.* to 5*s.* 10*d.*, and the exchange with Hamburgh was as low as 31.6. . The price of three per cent consols rose to 70, and ranged

from 66 to 70, until October of that year, when it fell to 55, 56, and 57, being a fall, from the price of 70, of 20 per cent, and from 57 of 18 per cent. In 1784 gold fell to its mint price, and silver to 5*s.* 2*d.* per oz., the Hamburgh exchange rose to 34.10, and three per cent consols fell to 55 and 54. In 1783 peace was concluded with America, France, &c. and it was natural to expect that, when the heavy war expenditure had ceased, government securities would have gradually risen in value, and been freed from those rapid fluctuations in value, depending on the fate of hostilities, to which they are more or less always subject.

The years 1783 and 1784 were years of commercial distress, and have generally been attributed to a transition from war to peace prices, and to the demand for capital for commercial and other enterprises; but I am more inclined to attribute the great proportion of such distresses to the contraction, to the too rapid contraction, of the currency. I have heard it affirmed, but at this moment I cannot recall to my memory the authority, that in 1781 or 2, the treasure of the bank was reduced to a lower amount than in 1797, when cash payments were suspended; and if we examine the issues of the Bank during the years 1782, 3, and 4, we shall in a considerable degree corroborate the opinion expressed, as to the cause of the fall in the price of stocks, and the influence that the same cause must have upon the commercial credit of the country.

The following table is extracted from the Lord's Report of Secrecy in 1797, No. 8. Appendix.

| | |
|---|---|
| In March 1782 the Bank had in circulation notes to the amount of | £9,160,470 |
| In June | 8,775,680 |
| October | 6,371,300 |
| December | 5,994,970 |
| 1783, March | 7,338,230 |
| June | 6,970,660 |
| October | 5,894,520 |
| December | 6,006,950 |
| 1784, March | 6,100,610 |
| June | 6,716,950 |
| October | 6,073,480 |
| December | 5,948,380 |

Let us pass over the year 1782, as being a year of war, and examine the price of stocks in 1783. In March they were 69, and the notes in circulation were 7,338,230*l.* In October of the same year the notes in circulation were 5,894,520*l.* being a reduction of upwards of 19 per cent; consols fell from 67 to 57, being upwards of 17 per cent.

It is not meant to affirm here, that a diminution of the currency of 5, 10, or 20 per cent, should necessarily and invariably cause a fall in the price of stocks to the same extent; it is only wished to explain, that a contraction of the one will infallibly affect the value of the other; and in this case the coincidence in amount is very striking.

The coffers of the Bank at the termination of the American war were reputedly very low; the safety of the establishment required that their coffers should be filled again: and as a consequence of the contraction of the currency, the Bank in the years 1784, 5, 6, 7, and 8, coined nearly eleven millions sterling, and up to 1794 inclusive, that is, in a period of eleven years, they coined twenty-four millions of gold.*

Let us now examine the effect of a steady and well regulated currency upon public credit as far as an increase in the value of the public funds is a token of increasing prosperity.

In January 1785 the three per cent consols were 56, in October the same year they were 66, and by December were 73. In this year the Bank coined nearly two and a half millions of gold, and no doubt the commercial credit of the country was decidedly improved. In 1786 three per cent consols were from 73 to 75, occasionally lower than 73, and in August they were as high as 78. In 1787 three per cents were from 74 to 77, and in these two years the Bank coined about four millions. In 1788 consols were on the average of the year about 75, and the Bank coined upwards of three millions and a half of gold. In 1789 a further increase took place in the price of consols, and were from 74 to 78, 80 and 82.

* See accounts of coinage of gold in the Lord's Reports of Secrecy, p. 134.

In 1790 there were considerable fluctuations in their price, the lowest 72 and the highest 81. In 1791, notwithstanding the progress of the French revolution, and our preparations for war with Spain, consols rose from 81 to 88 and 90. In the early part of 1792 consols rose to 97,* but in the latter end of the year they fell to 82, being a fall of 10 per cent.

In February 1793 the French declared war against England, but the fall in the public funds was not considerable, being from 79 in the month of January to 75, which they were in October that year. The lowest price in December was 73. In 1794 the highest price of consols was 74, and the lowest 64; the average for the whole year was about 67. In the year 1795 the Bank's issues were considerably increased. In February 1794 the notes in circulation were 10,963,380*l.* and in February 1795 they were 13,539,160*l.* being an increase of 2,575,780*l.* or about 23 per cent. Silver rose from 5*s.* 1*d.* to 5*s.* 2*d.*, which it was in the end of 1794, to 5*s.* 5*d.* by the end of 1795. The price of gold, according to a written paper delivered to Mr. Pitt by the Governor of the Bank on the 10th October, was from 4*l.* 3*s.* to

* I think it more than probable that the very high price of three per cent consols, in 1792, was owing to an increase of the issues of the Bank. On the 25th of February, 1790, the amount of Bank notes in circulation was 10,217,360*l.*; and on the same day in February, 1792, 11,349,810*l.*, being an increase of 1,132,450*l.*, and equal to 11 per cent.

4*l.* 4*s.* per oz. See No. 7, p. 84, Appendix to the Lord's Report of Secrecy. The exchange with Hamburgh fell from 36 in February to 32. 10 in November; the Bank by the same paper expressed their apprehensions of the consequences of the rapid diminution of its gold. The price of consols however were not affected by the embarrassments of the Bank, and the progress of the war, the average price for the year being about 66; the lowest price was 61, the highest 72.

In February, 1796, the issues of the Bank were 11,030,110*l.* being less than the amount in February, 1795, by 2,509,050*l.* or about 18 per cent. Gold fell to its mint price, and silver to 5*s.* 3*d.* or 5*s.* 4*d.* per oz.; the exchange with Hamburgh rose from 32.6 to 34.6; the price of consols in January, 1796, was 71, and, in December, the same year, was 56, being a fall of 21 per cent.

The situation of the Bank, in the early part of 1797, is too well known to be dwelt upon here. The amount of notes in circulation, on the 4th of February, was 9,667,460*l.* being less than in February, 1796, by 1,362,650*l.*, being a reduction of fully 12 per cent. The exchange with Hamburgh rose from 34.6 to 38, by the month of September, and silver fell from 5*s.* 6*d.* which it was in March, to 5*s.* per oz. by the month of July; the price of three per cent consols in January was 56, and in June 48, being a fall of 14 per cent.

In 1796 the Bank, from the drain upon her for

gold, began to withdraw her notes from circulation; and by February, 1797, had withdrawn 3,871,700*l.* from the issues of February 1795, being about 28 per cent, and the fall in the price of consols in these two years was 35 per cent. It is unnecessary here to dwell upon the state of commercial credit in 1797. The facts above stated, I think, will satisfactorily account for it.

After the suspension of cash payments at the Bank in this year, it might have been expected that the issues would have been liberal, and that public credit would have been re-established upon a very firm footing. But, in as far as the value of Government securities indicates the state of credit, it was, during the whole of that year, and the greater part of 1798, at a very low ebb. During the latter months of 1797, the price of three per cent consols was from 48 to 49. In 1798, until September, about the same price; and from October there seemed a sudden rise from 49 to 53, and to 56 in December.

During the latter months of 1797 the exchange with Hamburgh was higher than ever known, being at 38. The price of silver fell to 5*s.* 0¼*d.* per oz.; a sure indication of the scarcity and high value of currency. In 1798 the exchange with Hamburgh was very high during the whole year, and standard silver was 5*s.* 0¼*d.*; gold was at its mint price, until November, when it fell to 3*l.* 17*s.* 9*d.* per oz. In December of this year

there was a slight fall in the Hamburgh exchange, and silver rose by January 1799 to 5*s.* 2*d.* per oz. The amount of Bank notes in circulation, on the 1st of January, 1798, was 11,279,860*l.*; on the 1st of July the issues were 11,843,600*l.* being an increase of 563,740*l.* which was about 5 per cent; on the 1st of January, 1799, the amount of notes in circulation was 12,062,820*l.*, and on the 1st of July were 12,482,260*l.* being an increase of 419,440*l.* or about 3½ per cent. On the 1st of January, 1800, the amount of notes in circulation was 13,297,310*l.*; on the 1st of July the amount was 14,350,260*l.* being an increase of 1,052,950*l.*, or about 8 per cent.

In 1799, the exchange with Hamburgh fell from 37. 6 to 32, and silver rose from 5*s.* 2*d.* to 5*s.* 8*d.* per oz.; consols rose from 53 to 63. Silver rose about 12 per cent, and consols about 18 per cent. In comparing the Bank issues on the 1st of January, 1798, and the 1st of January, 1799, the increase is 782,960*l.*, or about 7 per cent. If the comparison is made between the 1st of January, 1798, and 1st of July, 1799, the increase is 1,202,400*l.*, or rather more than 10 per cent. If made with the 1st of January, 1798, and 1st of January, 1800, the increase is 2,017,450*l.*, or very nearly 18 per cent. If the comparison is made with the 1st of January, 1798, and 1st of July, 1800, the increased issues will be 3,070,400*l.*, equal to 27 per cent. In January, 1798, the

price of three per cent consols was about 49. In January, 1800, 62; and in July about 63. The rise from 49 to 62 is 26 per cent; from 49 to 63 about 28 per cent.

From this analysis, there seems to be a very intimate connection between the amount of currency and the value of government securities. It is not meant to establish as a law, or invariable rule, that a definite increase to the amount of currency—say of 5 or 10 per cent, will necessarily raise the price of three per cent consols to the same amount, or that a diminution of 5 or 10 per cent will reduce the price of stocks to the same extent. But it would seem, that on every increase to the currency, there is a simultaneous rise in the price of stock, price of silver, and a fall in the foreign exchange. On a contraction of the currency, there is a fall in the price of stock, much greater than the amount of the contraction of the currency, or in the price of silver, or the rise in the foreign exchange. This I think may be easily explained. When the circulation is full, or to excess, commercial credit and confidence become general. A speculative rise in prices to a greater or lesser degree is the natural consequence. Credit is easily obtained, and every man in business is apt to push his credit to the utmost limit of his capital. Having done so, the Bank suddenly withdraws 22 per cent of her notes in circulation, as in 1796; the commercial community are totally unprepared

for this diminution of the means of carrying on their respective trades, and the consequence must be, that any sacrifice will be made by the sale of stock to maintain their credit. Many must sink under this pressure, and as it is not local, but general, it ends in what is called a panic. From February 1795 to February 1797, the Bank diminished the amount of her notes in circulation 28 per cent, and three per cent consols fell in price within that period 35 per cent. It may be said, in relation to the period in question, that we were in a state of war, and stocks would fall as a consequence; but it has appeared, that the progress of the war in 1793 to 1794, when one might naturally expect a great fall in the value of government securities, the fall was inconsiderable. In 1793 they fell from 79 to 75, or about 5 per cent. In 1794 the average price was about 68; the highest being 74, the lowest 64; being on the two years little more than 13 per cent. Compare this fall with the fall from 1795 to 1797, of 35 per cent, consequent on the reduction of the currency, and the latter exceeds the former by 22 per cent.

It would only fatigue the reader to trace the connection of the issues of the Bank with the value of government securities, from 1800 to the present time. Enough has been stated to prove how very powerful is the influence of the Bank, and the very extensive and dangerous influence she possesses over the property, not only of the stock-

holder, but of every man throughout the kingdom. But, lest any should suppose that the fluctuation in the value of property was more a consequence of war than of the measures of the Bank of England, during the period that we have mentioned, it may be proper briefly to state the effect of the currency on the value of consols since the year 1813.

In 1813 the average price of consols was 58¾. The average amount of Bank of England notes in circulation from January to June was 23,939,693*l.*; from July to December 24,107,445*l.*; average 24,023,599*l.** In this year the debt contracted above that redeemed was 24,829,467*l.*†

In 1814 the average price of consols was 67; the amount of Bank notes was, from January to June, 25,511,012*l.*; from July to December, 28,291,832*l.*; the average of the year, 26,901,420*l.*, being an increase above 1813 of very nearly 12 per cent. In this year the debt contracted above that redeemed was 77,161,905*l.* But notwithstanding this enormous addition to the debt, consols rose from 58½ to 67, being a rise of 14½ per cent.

In 1813 the total number of bankrupteies was 1599; in 1814, 1066, being a decrease of 533, or 50 per cent.

* See Appendix to the Lords' Report, Committee of Secrecy, p. 323.

† See Mr. Mushet's tables on the National Debt, Table I.

The average price of consols in 1815 was about 60, being a fall from the price of 1814 of 10 per cent. In this year Buonaparte returned to France, and the nations of Europe were again involved in war. In January consols were 65, in June 59, and rose again by November to 62; the greatest depression before the battle of Waterloo was in April, to 56¾, being a fall of nearly 13 per cent. Very little alteration took place in the average amount of notes in circulation this year compared with the year preceding. From January to June the average and weekly amount of notes in circulation was 27,155,824*l.* From July to December 26,618,210*l.*, the average of the whole being 26,887,017*l.*, and less than the year 1814 by only 14,403*l.* But if we compare the average weekly amount of notes in circulation in February and in November * of 1815, two months remote from the usual advances by the Bank for the arrears of the consolidated fund, we shall find a considerable diminution of the Bank's circulation towards the end of the year. In February the average amount was 27,366,375*l.*, in November 26,207,472*l.*; the reduction is 1,158,903*l.* and equal to upwards of 4 per cent. If the average is taken on the three first and three last months of 1815, the diminution will be found to be 4½ per cent. If on the two

* See page 324, Appendix to the Lords' Report on the Bank in 1819.

first and two last months of the year, the diminution will be found $6\frac{1}{2}$ per cent.

In June, 1815, gold was 5*l.* 5*s.* per ounce, silver about 6*s.* 9*d.*; the exchange with Paris 18.30; by December gold was 4*l.* 3*s.*, silver 5*s.* 6*d.* per ounce, and the exchange with Paris 24.

In 1814 the number of bankruptcies was 1066. In 1815, 1285; increase 219, or 21 per cent. In January and February, 1815, the number of bankruptcies was 208; in November and December, 269; being an increase of 29 per cent in the two last months over the two first of the year. The number in the first six months of 1815 was 581, in the second 704; the increase of the latter over the former is 38 per cent.*

The number of licences granted for the issue of promissory notes in England and Wales* from 11th October, 1813, to 11th October, 1814, was 940; from October, 1814, to October, 1815, the licences were 916, being a diminution of 24, or $2\frac{1}{7}$ per cent.

In 1816 there was a further contraction of the currency. Gold fell from 4*l.* 3*s.* in December 1815, to 3*l.* 18*s.* 6*d.* Gold in this year would have fallen to its Mint price, but for the Bank paying that price instead of allowing the importers to coin it at the Mint at the rate of 3*l.* 17*s.* $10\frac{1}{2}$*d.*,

* See Appendix to Second Report of the Commons in 1819, p. 336, No. 35.

there being no other market if the Bank had refused to purchase. In December 1816 silver fell from *5s. 6d.* to *4s. 11½d.* per oz.; and the exchange with Hamburgh and Paris rose from 34.4 to 37.2, and from 24 to 25.80. The contraction of the currency in this year, however, does not appear considerable on the part of the Bank of England, her average issues being 26,574,840*l.*, and less than in 1815 by only 302,177*l.* In this year there was a considerable diminution in the issues of the country bankers, as will appear by the very ingenious table of Mr. Sedgwick, the chairman of the Stamp Board, and to be found in the appendix to the Lords' Report on the Affairs of the Bank in 1814, p. 414. In the year 1815 Mr. Sedgwick estimates the currency of the country bankers at 19,011,000*l.*; in 1816, at 15,096,000*l.*; being a reduction of 3,915,000*l.*, equal to $20\frac{6}{10}$ per cent. In the year preceding, that is 1814, Mr. Sedgwick estimates the country circulation at 22,709,000*l.*, in 1815 at 19,011,000*l.*, making a reduction of 3,698,000*l.*; and equal to $16\frac{3}{10}$ per cent, which, added to the reduction of 1816, makes a total in two years of $36\frac{9}{10}$ per cent. The commercial distress in 1816 was very great, and was generally attributed to the transition from war to peace prices. But the effect of such a rapid and extensive diminution in the amount of the currency, as here stated to have taken place, is a far more

satisfactory way of accounting for the great and general distress and fall that took place in prices that year.

The number of licences granted for the issue of promissory notes, from October, 1814, to October, 1815, was 916, and from 1815 to 1816 they were reduced to 831, being a reduction of 9 per cent. From October, 1816, to October, 1817, they were further reduced from 831 to 752, equal to $9\frac{1}{2}$ per cent.* Here we have exemplified in a very striking manner the extreme sensitiveness of a general paper currency. In the year 1815 the Bank reduced the amount of their issues, in the three last months, compared with the three first, $4\frac{1}{2}$ per cent; or in the two first, compared with the two last months of the year, $6\frac{1}{2}$ per cent, and we see it accompanied with a diminution of the credit of the country bankers equal to $20\frac{6}{10}$ per cent of all their issues, and with the destruction of one-eleventh of their whole establishments. This sensitive plant being once touched, does not easily recover its elasticity; in 1816 we have a further reduction of the issues of the country banks of $16\frac{3}{10}$ per cent; and a destruction of their numbers in 1817 equal to $9\frac{1}{2}$ per cent, making $36\frac{8}{10}$ per cent in their issues, and $18\frac{1}{2}$ per cent in their numbers in the course of two years.

The distress and misery which must have ac-

* See Appendix, No. 35, p. 336, to the Commons' Report on Bank Affairs, 1819.

companied this contraction of the currency can never be justly appreciated. To other, than to the real cause, was the commercial distress of 1816 ascribed. But my conviction is sincere, that, to the sudden contraction of the currency was to be assigned the major part of the distress that the public suffered in this year: the estimate may not be overstrained, if the loss of property to individuals in this single year is stated as being equivalent to all the profits of the Bank of England since her first establishment, together with all the profits of country bankers since their establishments. Of course there is no means of judging accurately in a case of this kind. But a reference to the bankruptcies of this year will give us some idea of the extent of the distress and individual loss that must have taken place. The total number of bankruptcies in 1815 was 1,285; in 1816, 2,029; the increase, 744, is equal nearly to 58 per cent.*

I do not wish it to be inferred, that the Bank of England has intentionally been the cause of all the distress attendant on a diminution of the currency. It is probable that the contraction in 1815 arose from a cessation of the demands of the government, the Bank at the moment unconscious of the mischief that would follow.

We must, however, proceed with the analysis of the effect of the issues of the Bank upon public credit.

* See Annual Register for 1815 and 1816.

## CHAPTER III.

Continuation of the historical view of the effect of the state of the currency upon government securities.

In 1817 the issues of the Bank were considerably increased. The average amount in circulation, in 1816, was 26,574,840*l.*; but in 1817 it was 28,274,901*l.*, an increase of 1,700,060*l.*, equal to $6\frac{3}{10}$ per cent. The effect of this increased issue upon the credit of the country was very remarkable, and worthy of attention.

On the 3d of January, 1817, three per cent consols were 63; on the 2d of December, in the same year, they were 83; the rise, by an addition of $6\frac{3}{10}$ per cent to the amount of the currency, being nearly 32 per cent. There is no doubt but the currency of the country bankers was in a corresponding degree increased. By Mr. Sedgwick's account already referred to, the supposed amount of country notes in circulation, in 1816, was 15,096,000*l.* In 1817 the supposed amount was 15,898,000*l.* showing an increase of 802,000*l.*, or $5\frac{3}{10}$ per cent. The number of country Bank notes stamped in 1816 was 6,423,000*l.*; in 1817, they were 9,075,000*l.*, showing an increase of

notes stamped, though perhaps not issued, of 2,652,000*l.* or 41 per cent.

At the commencement of this year the state of public credit was so low, and the internal distress so great, that the government granted issues of Exchequer bills in England and Ireland to the extent of 750,000*l.*; 500,000*l.* for England, "to commissioners, to be by them advanced towards the completion of public works, now in progress, or about to be commenced; to encourage the fisheries, and to employ the poor in different parishes of Great Britain."* And the Lord Lieutenant of Ireland was empowered to advance out of the consolidated fund of that kingdom a sum not exceeding 250,000*l.* for the completion of public works, or the encouragement of fisheries.* This Local and Temporary Relief Bill, as it was called, was introduced into the House of Commons by the Chancellor of the Exchequer, on the 28th of April. The picture drawn of the distressed state of the agricultural and manufacturing population in the debate on this bill, is of the most affecting nature; but, notwithstanding the immense destruction of individual property, in the preceding year, and the picture of distress drawn in the present, we see a rise of nearly 32 per cent in the value of government securities in nine or ten months. The

* See Hansard's Parliamentary Debates, vol. xxxvi. p. 27.

public unredeemed debt, which, on the 1st of February, 1817, was 682,769,314*l.*,* was, at 64, the then price of consols, worth 436,972,360*l.* In December the same debt at 88 per 100*l.* was worth 566,698,530*l.*, being an increase of 129,726,180*l.* If the value of government securities was thus artificially raised in price, property of all other descriptions would be raised likewise. If the rise was from a definite and permanent increase to the currency, the mischief would not be so great; but here the whole property of the community is placed, if I may so express it, in the power of a few banking establishments. By their interests prices are raised; by their fears they fall; and the appearance of internal prosperity, of which high prices are the symbols, are succeeded by bankruptcy and distress.

In 1816 the number of bankruptcies were 2029; in 1817, 1575; being a decrease of 454, and equal to 22 per cent.

In January, 1817, the price of gold was 3*l.* 18*s.* 6*d.*; silver about 5*s.* per oz. and the exchange with Paris 25.40. In December gold was 4*l.* per oz.; silver 5*s.* 3¼*d.* per oz.; and the exchange with Paris 24.40.

In 1818 there appears to have been a decrease in the amount of the issues of the Bank of Eng-

* See the account entitled, The Progress made in the Redemption of the Public Funded Debt of Great Britain, on the 1st of February, 1817.—Vol. xxxvi. Parliamentary Debates, No. VI.

land. From July to December, 1817, the amount was 29,210,035*l.*; from January to June, 1818, 27,954,558*l.*; being a decrease of 1,255,477*l.*, or 4 per cent.

From July to December, 1818, the average amount was 26,487,859*l.*, being a decrease on the first six months of 1,466,699*l.* and equal to 5 per cent. Comparing the issues of the last six months of 1817 with the last of 1818, the diminution was 2,722,176*l.*, and equal to 9 per cent. It must be remarked, that, though the amount of Bank issues appears to be decreased in 1818, compared with 1817, the Bank in the latter end of 1817 and in 1818 made an issue of gold to the extent of 6,809,000*l.*, which, added to her issues, will make the total amount of the circulation greater in 1818 than in 1817.* In 1818 we have a rise in the price of gold and silver, and a fall in the exchange with Paris and Hamburgh. In January, 1818, gold was 4*l.* 0*s.* 6*d.*, and silver 5*s.* 3½*d.* On the 25th of December gold was 4*l.* 1*s.* 6*d.*, and silver 5*s.* 5½*d.* per oz.; the exchange with Paris and Hamburgh in January was 34.6, and 24.40; in December, 33.8, and 23.65. The country bankers had, in the same period, added greatly to the circulation. By Mr. Sedgwick's account, already referred to, the amount of country Bank notes stamped in 1817 was 9,075,000*l.*, but in 1818 the amount

* See Report of the House of Lords on the Affairs of the Bank in 1819.

was 12,316,000*l.* being an increase of 3,241,000*l.*, and equal to 35$\frac{7}{10}$ per cent.

Mr. Sedgwick estimates the total amount of the country circulation in 1817 at 15,898,000*l.* and in 1818 at 20,507,000*l.* the increase being 4,609,000*l.* or about 29 per cent.

This state of the circulation had its usual influence upon the price of three per cent consols; for though the high price of December, 1817, was not maintained (which highest price of 83 was no doubt the high speculative price of the Stock Exchange), yet on the average of the two years there was an average rise in 1818 of 4$\frac{7}{10}$ per cent. The average price in 1817 was about 74$\frac{1}{2}$—in 1818, 78.

The number of bankruptcies in 1818 was 1056, in 1817 they were 1575; being a decrease of 519, equal to nearly 33 per cent.

It has been generally admitted that the extension of the circulation of the country banks was entirely dependant upon an extension of the issues of the Bank of England; that is to say, if the Bank of England added 5 or 10 per cent to its issues, the country circulation would only be increased in the same proportion; this, however, does not seem to be the case, but that the issues of the country bankers greatly exceed the rate of increase by the Bank of England. We have, in 1817, an increase of the issues of the Bank of

about 9 per cent, followed in 1817 and 1818 by an addition to the country circulation of 34 per cent.*

This is perhaps one of the most important laws of our paper currency (and I have other cases of the same nature to state) and must lead to results at all times dangerous to the safety of the Bank of England. If the Bank of England does not control, or cannot control the issues of the country bankers, so as to prevent an excess of the country circulation, the exchanges must necessarily become unfavourable, and the coffers of the Bank made answerable for the excess of the general currency, by a demand for gold for exportation. The remoteness of the country bankers from the great and central money market of London protects them from any drain of gold, while the Bank are called upon for the general excess of the currency. The contraction of the issues of the Bank will ultimately cause a contraction of the country circulation, from which it may be inferred, that as it has the power of causing a contraction, it has also the power to prevent the excess rendering contraction necessary; and, in my opinion, the Bank of England possesses that power. I shall have occasion hereafter particularly to draw the attention of the reader to the principle by which

* See table in the Appendix, of the country bank notes stamped, and the supposed amount in circulation, from 1804 to 1825.

I think no increase or excess of the country circulation can ever be produced but by a previous extension, as in the case in question, of the issues of the Bank of England.

## CHAPTER IV.

State of the currency from 1819 to 1822, and its effects on the price of government securities, and the circulation of country bankers.

THE year 1819 was a memorable year in the history of our currency, and a careful attention to the proceedings of the Bank in this year will strengthen the opinion already expressed of the influence of the issues of the Bank upon the public credit of the country, as far as the price of government securities indicates the state of public credit.

In February of this year, committees of secrecy were appointed by the Houses of Lords and Commons to investigate the affairs of the Bank of England. The effect of these investigations upon the issues of the Bank of England was as follows:—

The average issues of the Bank of England in 1818 were 27,228,208*l.** The average of the first six months in 1819, that is, from January to June inclusive, was 25,593,223*l.*,† being a reduction of 1,627,985*l.*, and equal to nearly 6 per cent.

* See Appendix, B. 2, page 322, Lords' Report.

† See Parliamentary Account, No. 168, dated 6th March, 1821, Bank of England.

The average issues of the Bank from July to December in 1819, were 24,697,407*l.*, and less than the average of 1818 by 2,523,801*l.*, being rather more than 9 per cent. Comparing the issues of the first six with the last six months of 1819, the diminution is 895,816*l.*, and equal to $3\frac{1}{2}$ per cent.* The effect of this reduction of the issues of the Bank was soon perceived on the prices of stock, gold, silver, and on the foreign exchanges.

By the table in the Appendix it will be seen, that on the first of January, 1819, silver was 5*s.* $5\frac{1}{2}$ per oz. (no gold being quoted), the exchange with Paris 23.50, Hamburgh 33.8, and three per cent consols 78. By the 2d of July silver is 5*s.* 2*d.* per oz. (the fall being 5*l.* 6*s.* 10*d.* per cent): the exchange with Hamburgh 35.8, with Paris 25, and the price of three per cent reduced (consols being shut) $67\frac{1}{4}$, which, deducting three months' interest, would give for consols rather less than 67, making the fall from 78 fully 14 per cent. We have already stated, that the decrease in the issues of the Bank in the first six months of 1819, from the average issues of 1818, was rather less than 6 per cent, and this we see is sufficient to cause a fall in stocks of 14 per cent! But this was not the extreme depression, for on the 4th June the price of three per cent consols, with five months' interest due, was $66\frac{1}{4}$, being a fall from 78 of 15 per cent.

* See Account, No. 168.

One of the great evils arising from this fluctuation in the amount of the currency is the spirit of gambling which it generates. On the 4th May three per cent consols were 72, on the 4th June 66¼; here is a fall of 6¼ per cent in one month. On the 2d July three per cent stock was 67½, on the 3d August 71¼, being a rise of 5 per cent. The fall and rise may not always be as the amount of the currency—the depression may, as the rise, be greater than the natural, or marketable value of the stock. Were it not for the alteration in the value of the currency both extremes would be avoided.

The following table, however, will show the connexion existing between the price of stocks and the amount of the issues of the Bank, for the year 1819. The amount of the issues of the Bank has been taken from an account showing the average amount of Bank notes and Bank post bills in circulation for the space of three years preceding the 6th April, 1820, which the Governor and Company of the Bank of England are directed by the act 55 Geo. 3. c. 184, to deliver annually on the 1st day of May to the Commissioners of Stamps, No. 169 of the Parliamentary Papers of 1821.

| Monthly average. | | Price of 3 per cent consols. | |
|---|---|---|---|
| January 1819. | £ 26,804,375 | January 1..... | 78 |
| February..... | 25,567,627 | February 2 .... | 78 |
| March..... | 24,758,898 | March 2 ..... | 73 |
| April ..... | 26,331,731 | April 2..... | 74¾ |
| May ..... | 25,659,658 | May 4 ..... | 72 |
| June ..... | 24,117,652 | June 4..... | 66¼ |
| July..... | 26,282,823 | July 2 ..... | 67¼ |
| August ..... | 25,786,409 | August 3 ..... | 71⅛ |
| September .... | 24,183,014 | September 3.... | 71¼ |
| October ..... | 24,963,004 | October 1..... | 69⅞ |
| November .... | 23,950,111 | November 2.... | 67¼ |
| December .... | 22,556,332 | December 3 ... | 67 |

Comparing the issues of January with those of December, the diminution is 4,248,043*l.*, and equal to 15$\frac{8}{10}$. The fall in the price of three per cent consols we have already stated was 14 per cent.

The issues of the country bankers were greatly reduced in 1819, compared with the preceding year. The obligation on the part of the Bank of England to contract her issues, preparatory to cash payments, was felt by the country bankers, and we find by an account of country bankers' notes stamped in each year, from the 10th October, 1804, to the latest period to which the same can be made up,* that in the year ending 10th October, 1818, the number of notes stamped not exceeding 1*l.* 1*s.* was 3,875,715*l.* In the year ending 10th October, 1819, the amount was 2,160,293*l.* This

* See Parliamentary Paper 403, dated 11th April, 1821. Comptroller's Office—Stamps.

diminution was equal to 44 per cent. The number of notes stamped exceeding 1*l.* 1*s.* and not exceeding 2*l.* 2*s.* was, in the same period, 151,048*l.* In the year ending 10th October, 1819, 69,310*l.*, the reduction being equal to 54 per cent. The notes exceeding the value of 2*l.* 2*s.* and not exceeding 5*l.* 5*s.*, were in value 4,176,895*l.*; and in the year ending 10th October, 1819, the value was 2,076,980*l.*, being a reduction of rather more than 50 per cent. In notes exceeding 5*l.* 5*s.* and not exceeding 10*l.* 10*s.* the value was 2,445,460*l.* In the year ending 10th October, 1819, the value was 1,200,400*l.*, being a reduction of 50$\frac{9}{10}$ per cent. In notes exceeding 10*l.* and not exceeding 20*l.* the value was 1,237,960*l.* In the year ending 10th October, 1819, the number was 27,115, and the value 542,300*l.*, the reduction being 56 per cent. Of notes exceeding 20*l.* and not exceeding 30*l.* the number in the year ending 10 October, 1818, was 703, and in value 21,090*l.* In the year ending 10th October, 1819, the number was 511, and in value 15,330*l.*, being a reduction of 27 per cent. Of notes exceeding 30*l.* and not exceeding 50*l.* in the year ending 10th October, 1818, the number was 864, the value 43,200*l.* In the year ending 10th October, 1819, the number was 198, the value 9,900*l.*, being a reduction of 77 per cent. Of notes exceeding 50*l.* and not exceeding 100*l.* the number in the year ending 10th October, 1818, was 3,655, in value 365,500*l.*

In the year ending 10th October, 1819, the number was 558, the value 55,800*l.*, the reduction was upwards of 84 per cent. The aggregate reduction in the notes stamped for the country banks was rather more than 50 per cent, comparing the year 1818 with 1819. The great reduction of the Bank of England took place in 1819, as already noticed, which amounted to $15\frac{8}{10}$ per cent within the year; the great reduction of the country circulation may be attributed to it.

The number of bankruptcies in England, from the 20th December, 1817, to the 20th December, 1818, was 1056. From 20th December, 1818, to 20th December, 1819, the number was 1445, increase 389, being nearly 37 per cent.*

In 1820 the Bank of England made a further reduction in the amount of her issues: the average for the year was 23,810,303*l.*,† being less than the average of 1819 by 1,335,012*l.*, or $5\frac{3}{10}$ per cent.

The circulation of the country bankers was also diminished. In the year ending 10th October, 1819, the number of notes stamped not exceeding 1*l.* 1*s.* was 2,160,293*l.* In the year ending 10th October, 1820, the amount was 1,612,614*l.*, the decrease equal to 25 per cent. In notes exceed-

* This account is taken from Dodsley's Annual Register for the year 1819. The total bankruptcies there stated is 1499. On adding the monthly account together the number is 1445, making the increase only 389 in place of 531.

† See Parliamentary Paper 168, of 1821.

ing 1*l.* 1*s.* and not exceeding 2*l.* 2*s.* the amount ending 10th October, 1819, was 69,310*l.*; and in the year ending 10th October, 1820, the amount was 65,300*l.*, decrease $5\frac{7}{10}$ per cent. In notes exceeding 2*l.* 2*s.* and not exceeding 5*l.* 5*s.* in the year ending 10th October, 1819, the amount was 2,076,980*l.* In the year ending 10th October, 1820, the amount was 1,069,030*l.*, being a reduction of 48 per cent. In notes exceeding 5*l.* 5*s.* and not exceeding 10*l.* the amount in 1819 was 1,200,400*l.* In 1820, 542,710*l.* decrease 57 per cent. In notes exceeding 10*l.* and not exceeding 20*l.* the amount in 1819 was 542,300*l.*, and in 1820 174,640*l.*, decrease equal to 67 per cent. In notes exceeding 20*l.* and not exceeding 30*l.* the amount stamped in the year ending 10th October, 1819, was 15,330*l.* In 1820 not one of this class was stamped. Of notes exceeding 30*l.* and not exceeding 50*l.* there were stamped in 1819 9,900*l.*, in 1820 3,500*l.*, decrease 14 per cent. Of notes exceeding 50*l.* and not exceeding 100*l.* the amount in 1819 was 55,800*l.* in 1820 107,100, being an increase of 91 per cent.

In 1818 the average amount of country bank notes stamped was 12,326,868*l.* In 1819 the average amount was 6,130,313*l.*, equal to $50\frac{2}{10}$ per cent. In 1820 the average amount was 3,574,894*l.* In 1821 the amount was 3,957,580*l.*

In 1819 there was 50 per cent less amount stamped than in 1818; and in 1820 71 per cent

less than in 1818, and 41 per cent less in 1820 than in 1819.

Applying the principle of Mr. Sedgwick's table already referred to, we shall have the following approximation to the amount of the country notes in circulation in 1819, 1820, 1821, and 1822.

| | |
|---|---|
| There was stamped in 1819 .. | £6,130,313 |
| Add one-third of 1817.... | 3,025,318 |
| Add two-thirds of 1818.... | 8,211,244 |
| | 17,366,875 |
| There was stamped in 1820.... | 3,574,894 |
| Add one-third of 1818.... | 4,105,622 |
| Add two-thirds of 1819.... | 4,086,875 |
| | 11,767,391 |
| There was stamped in 1821 ... | 3,987,582 |
| Add one-third of 1819.... | 2,043,437 |
| Add two-thirds of 1820.... | 2,383,262 |
| | 8,414,281 |
| There was stamped in 1822.... | 4,217,241 |
| Add one-third of 1820.... | 1,191,631 |
| Add two-thirds of 1821.... | 2,658,388 |
| | 8,067,260 |

In 1818 Mr. Sedgwick estimates the amount of the country circulation at 20,507,000*l.*; according to the same mode of computation, the amount in 1819 was 17,366,875*l.*, being a reduction of 3,140,125*l.*, and equal to 15 per cent.

In 1819 the Bank of England reduced the amount of her currency on the average of the year 15 $\frac{8}{10}$ per cent.

The amount of the country circulation in 1820 was 11,767,360*l.*, being a reduction from 1819 of 5,590,000*l.*, and fully 32 per cent.

In 1821 the amount of the country circulation was 8,414,280*l.*, and less than in the year preceding by 3,353,080*l.* being a further decrease of 28 per cent.

In 1822 the amount of the country circulation was 8,067,260*l.*, and less than the year preceding by 4 per cent.

In 1819 the reduction in the country circulation

| | | |
|---|---|---|
| was..... | 15 | 3 per cent. |
| In 1820..... | 32 | 2 |
| In 1821..... | 28 | 5 |
| In 1822..... | 4 | 1 |
| | 80 | 1 |

making in a period of four years a reduction of no less than 80 per cent.

I have been thus particular in analyzing the amount of the country circulation for these years, as I think the subject hitherto has not been either

understood or satisfactorily explained. It is, besides, a matter of unspeakable importance for the welfare of the country, that this branch of the currency should be known to be amenable to general principles; or if not, then the discrepancy should be pointed out.

## CHAPTER V.

The effect of the contraction of the currency on the general welfare of the country—the various opinions expressed in parliament on the subject.

In the years 1820 and 1821 the distressed state of the country was forced on the attention of parliament by petitions from the agricultural and manufacturing districts. On the 31st May, 1820, on the motion of Mr. Holme Sumner, a Committee was named, for inquiring into the agricultural distresses of the country, but their inquiries were confined to the mode of calculating and returning the averages of grain in the twelve maritime districts of England.

On the 7th March, 1821, Mr. Gooch brought forward his motion for a Committee of Inquiry into the agricultural distresses of the country, and the Committee was appointed.

In the Report of this Committee the state of the currency is stated in very general terms. It is said, that "the restoration of the currency will necessarily lead, as existing engagements lapse, to new arrangements between landlords and tenants, in the adjustment of which the permanent effect of that restoration, however difficult exactly to ascertain, will have its practical effect.

" But your Committee cannot omit to state their opinion, that any attempt to determine that effect at this moment would give an erroneous measure of its prospective influence. Having been long below, the currency appears now to be forced above, its standard. In making this remark, it is by no means designed to offer an opinion upon the precautions which have been taken, and the preparations which have been made by the Bank for the resumption of cash payments. But it must be obvious, that if the effect of those preparations has been, to contract, in any considerable degree, the coin previously circulating in Europe, by withdrawing it from that circulation into the coffers of the Bank, the value of money must have been raised generally on the continent; and if, coincident with that operation, the separate currency of this country has also been contracted, not only in the degree necessary,—first, to restore it to its relative par value with the metallic currency of other countries, but further, to place it at a permanent premium above that metallic currency (itself enhanced in value in proportion to the amount withdrawn by the purchases of the Bank), it would seem to follow, that the proportion of our circulation is now somewhat below, and the value of the currency somewhat above, what would be requisite to maintain that currency upon a level with the diminished circulation, and consequently, with the increased value of money in other coun-

tries of the world. The present price of standard silver in Bank paper (why in Bank paper? Gold was at its mint price), the very high course of the Foreign exchanges, and the immense influx of bullion for the last nine months, without any decline in those exchanges, now higher with all countries than at any former period, all concur strongly to warrant this conclusion.

" It would be foreign to the immediate object of this report to pursue this subject further: your Committee, however, cannot but ascribe a proportion of the depression of prices, which (as they will hereafter have occasion to observe) now generally prevails in other countries as well as in this, to the measures which the restoration of our currency had rendered necessary; the general effect of which has been, in some degree, to derange the markets of every part of the civilized world; an effect which has been aggravated in those markets, as well as in our own, by the endeavours of other countries to revert to a metallic currency simultaneously with ourselves."

In analysing this statement of the Agricultural Committee, it must be obvious that the only mode of estimating the increased value of the currency is by the market price of standard silver; and assuming that the increased value of the currency was to be estimated by its fall from its mint price, that is, from 5*s.* 2*d.* to 4*s.* 11*d.* per oz., the price of 1821, the whole increase of the value of

the currency does not amount to 5 per cent—only 4*l.* 16*s.* 10*d.* per cent. And this is assuming that when gold is at its mint price of 3*l.* 17*s.* 10½*d.*, which it was during the whole of 1820 and 1821, silver ought to be 5*s.* 2*d.* per oz. But the market price of silver, no doubt from the altered proportion of the two metals, has been, subsequently to 1821, on an average, about 5*s.* to 5*s.* 1*d.* per oz., which would give as the real increase in the value of the currency, as measured by the market price of silver, a rise of only 2 to 3 per cent. Now it can hardly be contended, that so trifling a rise in the value of the currency should lead to so much general distress as was existing in 1821. It must be obvious also, that it was in our own currency, and not that of foreign countries, that the appreciation had taken place, for the importation of the precious metals was an indication of the cheapness of the currency of foreign countries compared to that of England, otherwise such importations could not have taken place as described by the Committee.

In the whole of the Report of the Committee there is not the slightest allusion to the contraction of the circulation of the country bankers, which, in my opinion, was the great cause of the large importations of bullion, and of the general distress throughout the country.

The exact amount of the circulation of the Bank of England for 1821 it is not very easy to obtain, for in March this year the Chancellor of

the Exchequer brought in a bill to enable the Bank, at her option, to resume cash payments in May 1821, which passed into a law. The consequence was a reduction of the 1*l.* and 2*l.* notes.

If we, however, take the Bank notes of 5*l.* and upwards during the year 1820, which excludes the 1*l.* and 2*l.* notes and Bank post-bills; a mode of estimating followed by the late Mr. Ricardo and Mr. Attwood,* we shall find the average of 1820 to be 15,507,418*l.* Following the same mode of calculation, the average of 1821 will be found to be 15,623,900*l.*, being an increase above 1820 of 116,482*l.*, or about 15*s.* per cent. In 1822, the average amount of notes in circulation of 5*l.* and upwards was, 15,309,976*l.* being a decrease of 313,724*l.* or about 2 per cent.†

In June, 1822, Mr. Western brought forward his motion relating to cash payments, and proposed a Committee to enquire into the effects produced by the Act 59 Geo. III. c. 49. The discussions that arose on his motion were interesting. There were two parties, the one denying, or moderating the effect of the resumption of cash payments; the other attributing the greater, if not

* See Mr. Attwood's Speech on Mr. Western's motion concerning the resumption of cash payments, Parliamentary Debates, N. S. vol. vii. p. 979.

† See Parliamentary Papers, No. 21, 240, 287, of 1820, and No. 27, of 1821, No. 488, 601, of 1822, and No. 10, of 1823.

the whole of the national distress to that measure.

At the head of the first party stood the late Mr. Ricardo, who was of opinion, that the whole alteration in the value of the currency, from the year 1819, on the passing of Mr. Peel's bill, was about 10 per cent, 5 per cent by the reduction in the price of gold, from 4*l.* 2*s.* in 1819 to its Mint price; and 5 per cent more by the appreciation of the currency by the purchase of gold bullion by the Bank.* The notes were only a substitute for the gold; that is to say, that the Bank of England, in her desire to possess gold, had carried the reduction of her notes beyond the point at which she could have made her purchases. The only mode of appreciating the increased value of the currency was by the fall in the market price of silver. In January, 1819, the market price of silver was about 5*s.* 6*d.* per oz. In July, 1822, it was 4*s.* 11*d.* the fall being just about 10 per cent.

On the other hand, Mr. Attwood, in a speech replete with facts, maintained, that the fall in prices was much greater than admitted by Mr. Ricardo, who, indeed, confessed the difficulty of coming to

* The purchases of gold by the Bank would not appreciate the currency. The rise in the value of the currency was first produced by contraction, and the purchase of gold by the notes of the Bank would add no more to the currency than if the Mint had coined the bullion for the importers. The notes were only a substitute for the gold.

any accurate conclusion as to the real alteration in the value of the currency arising from the measures of the Bank preparatory to cash payments; he (Mr. Ricardo) thought, that the fall in the price of agricultural produce might be attributed to abundant harvests and improved modes of cultivation. This reasoning would have been conclusive, if agricultural produce only had fallen in price. But Mr. Attwood affirmed, that other than agricultural produce had fallen in price, and stated, that "in the year 1818 the average price of wheat was 84*s.* a quarter; and if the present price be taken at 47*s.* that is a reduction on wheat of 37*s.* which is equal to a fall of 45*l.* in every 100*l.*, or 45 per cent. The price of iron in the year 1818 appears to have been 13*l.*; that price is now 8*l.* per ton, and is equal to a reduction of about 40 per cent. The price of cotton in 1818 was 1*s.*, and it has sunk to 6*d.* per lb., and that is a fall of 50 per cent on cotton. Wool in the year 1818 sold for 2*s.* 1*d.*, which now sells for 1*s.* 1*d.*, and there is, therefore, in wool a fall of nearly 50 per cent. The fall, therefore, that has taken place since 1818, in iron, in cotton, and in wool, is as great as the fall in wheat. It is 45 per cent on an average of the three; and that is precisely the fall in grain. These are our three great staple articles; and this fact of the fall in price they have sustained, I recommend to the consideration of those gentlemen who tell us of an excessive

production of corn—of an excessive cultivation of land. If corn has been produced in excess—if the proof of that is to be found in its fall of price, doubtless there has been an equal excess likewise in the production of these three great staple articles. But I will refer to a paper containing further information upon this subject; and which, I am satisfied, will be received as exhibiting a correct estimate of the general fall in prices which has taken place on the whole of our production and commodities. The paper to which I refer for this purpose will be found in the Agricultural Report of the last session. It was delivered to the Committee by Mr. Tooke, and contains a list of the principal articles of commerce and manufacture, thirty in number, selected by that gentleman for the purpose of information respecting prices; and the prices of each commodity are given for several successive years, in the month of May in each year. I have caused the prices of these articles to be added to this table, for the month of May in the present year also. The result which this table exhibits is, that since May, 1818, a great and general fall in these articles has taken place; which fall cannot, on the whole, be taken to be less than the fall in the price of agricultural produce which has accompanied it. Of these thirty articles, there are two only that have experienced no fall. These are indigo of two kinds, and their price has been supported, as I understand, by cir-

cumstances of an extremely peculiar nature. The fall which has taken place between May, 1818, and May, 1822, in the prices of the articles contained in this table, indigo excepted, is, if we take the lowest price marked in the table in each period, and take away the direct tax, which exists on some of these articles, exactly 40 per cent. And if we add to this 40 per cent, 5 per cent more, for the difference between prices, as marked in tables, and those for which commodities can really be sold in the market, when the market is depressed and falling, that will give us an average fall of 45 per cent, which is precisely similar to the fall in grain.

"There is no truth, therefore, in the opinion, that any fall in prices peculiar to agricultural produce has taken place. The fall in prices has been universal, and not particular. The leases of the tenants, the mortgages of the land-owner, taxation pressing heavily on agricultural labour, but which the machinery of the manufacturer lightens; all these will render the difficulties of the agricultural community more permanent, perhaps, than those of the mercantile and manufacturing community; but they have not been more severe. Let the House consider what difficulties, as this table shows, our mercantile and manufacturing industry has been exposed to? In the midst of this fall in prices, what operation in business could proceed without loss or ruin? There has been no form in which the capital of the merchant: none in which

the capital of the manufacturer could be invested without the half of it being sacrificed during this calamitous period. We have been thrown back upon a condition of society, in which all industry and enterprise have been rendered pernicious or ruinous; and where no property has been safe, unless hoarded in the shape of money, or lent to others on a double security. * * * * * *

"The honourable member for Portarlington, in referring to this table on another occasion, I think told us, that Mr. Tooke was able to point out several circumstances, which had tended to lower the price of many of these articles. I do not in the least doubt it. The price in the market of every particular commodity is fixed by the influence of a great variety of contending circumstances, some tending to advance, and some to depress that price. I doubt not but Mr. Tooke could point out numerous circumstances, that have affected the prices of every one of these commodities; and have contributed both to depress and to support them. But the question is not as to what has affected the price of any particular commodity. The question is, whether this list is to be received for that purpose for which it was given; as containing an indifferent and impartial selection from the general mass of our productions and commodities; and exhibiting in its results a fair estimate of the fall in price on that general mass? That I see the honourable member for Portarling-

ton admits. This table shows what the general fall in price has been. Let us see, then, to what conclusion this brings us. Either the quantity of all commodities has been increased, or the quantity of money has been diminished, one of these we must of necessity admit; for the proportion is altered. There is either an increase in the general quantity of commodities, or a reduction in the quantity of money. And, are we to believe that the general quantity of commodities has increased: that a great augmentation has suddenly taken place in all the produce of all labour; that all industry has become suddenly more skilful and efficient; and the produce of all soil more abundant? If we could believe that, indeed, then we might look on our present difficulties as necessarily attending the introduction of a better state of things; as the sure precursor of an age more prosperous than this country has yet experienced. But it is impossible to entertain such a belief. It is impossible to believe that any great and sudden augmentation of commodities has taken place. It is the quantity of money that must of necessity have been reduced; and I now beg the attention of the House to a consideration of what that reduction has been; how it has been effected; and how it corresponds with the fall in monied prices which it has occasioned.

"The monied circulation of this country has rested on that of the Bank of England. The

amount of the notes of the Bank in circulation, at the period immediately preceding this fall of prices, appears to have been from about twenty-nine to thirty millions, that is the average amount in circulation for the last half year of 1817. If we take a view of the amount of Bank notes in circulation from this time downward; and observe the amount in the middle of each quarter; which affords, as appears by the evidence of Mr. Harman, the best comparative view—a gradual and systematic reduction will appear to have commenced.

| | |
|---|---|
| "The amount in August 16, 1817, is | £30,100,000 |
| "It was reduced by November 15, 1817, to | 29,400,000 |
| "And continued as follows: | |
| February 1818 | 28,700,000 |
| May | 28,000,000 |
| August | 26,600,000 |
| November | 26,000.000 |
| February 1819 | 25,600,000 |
| May | 23,900,000 |
| August | 26,000,000 |
| November | 24,000,000 |
| February 1820 | 24,000,000 |
| May | 23,900,000 |
| August | 24,400,000 |
| November | 23,400,000 |

and at this period the joint circulation of one

pound notes and sovereigns has rendered a further comparative estimate, in this way taken, uncertain and obscure; I would refer, therefore, to the mode of estimation adopted by the honourable member for Portalington, for the purpose of bringing a comparative view of the circulation of Bank notes down to the present time; which method is, to exclude from the account all one pound notes, and all notes but those of five pound and upwards, and payable on demand; and this method of computation does, as I perfectly agree with him in thinking, give a fair comparative view of the circulation down to the present period.

"The amount of Bank notes in circulation in this way taken, appears,

Notes of five pound and upwards.

| | |
|---|---|
| November 1817.... | £19,600,000 |
| November 1818..... | 16,900,000 |
| November 1819..... | * |
| November 1820..... | 15,300,000 |
| November 1821..... | 14,800,000 |
| May 1822 ..... | 14,600,000 |

and the amount appears to have been now reduced somewhat below this last sum. Nothing can be more regular, gradual, and uniform, than this reduction in the quantity of money, thus exhibited and commencing at a period immediately preceding the commencement of the fall in monied prices.

* This account is not before the House.

It was altogether a forced and systematic contraction. It did not take place in consequence of the fall of prices. It preceded it."

* * * * *

"We see then a regular, systematic reduction of the notes of the Bank, our legal money, on which the whole of our circulation depends; and that reduction followed by an equally regular fall of prices. But the one is in greater proportion than the other. Prices have fallen more than notes have been reduced. The reduction of Bank notes is one-fourth, or one-fifth; and the fall in prices has approached nearly to one-half; and the honourable member for Portarlington denies that prices will fall, except in proportion to the reduction of money. But I beg him to consider that, first, we have the fact plainly before us; and that to facts we must reconcile our theories as well as we are able."*

The speech of Mr. Attwood, from which this extract is taken, was left unanswered, notwithstanding the cogency of the facts he produced. In the subsequent debate on Mr. Western's resolutions, no attempt was made by the late Mr. Ricardo to controvert the fact adduced by Mr. Attwood; the late Mr. Ricardo re-stating his opinion, that the low

* Mr. Attwood entirely overlooked the contraction of the circulation of country paper, which would have fully accounted for the whole fall of prices.

price of agricultural produce "might be traced to various sources; the great influx of gold into the country; the improvements in agriculture; those and other causes operated. How then, could the distress of the agriculturists be solely imputed to the alteration that had taken place in the currency?"

Mr. Ricardo had previously stated that the alteration in the value of the currency could not have exceeded 10 per cent; and we have seen that the fall in the market price of silver was equal to that amount. Mr. Attwood showed that thirty different articles had fallen in price from 40 to 45 per cent, besides agricultural produce; and if we admit Mr. R.'s fall of prices of ten per cent, there is still from 30 to 35 per cent to be accounted for. The improvements in agriculture and in the mode of producing every one of the articles contained in Mr. Tooke's table referred to by Mr. Attwood, "as exhibiting in its results a fair estimate of the fall in price on that general mass," must account for this 30 to 35 per cent of reduction in price. The progress of improvements, however rapid, I think will not warrant any one in drawing the conclusion necessary to support Mr. Ricardo's view of the case. If we, however, refer to the extraordinary diminution of the circulation of the country bankers in 1819, 1820, and 1821, amounting to 76 per cent, as has already been stated, I think there will be no difficulty in accounting for the extraordinary fall

of prices, and the general distress that was experienced up to 1822.

To admit, however, this view of the case, is to controvert the abstract principle of currency laid down by Mr. Ricardo, and others, that there could be no fall in prices, beyond the fall of gold from its market to its mint price; nor any rise in prices, that was not limited by the rise of gold above its mint price. I am inclined to think that this principle does not hold true, where we have a paper currency to the extent to which it is carried in this country.

If we had a metallic currency exclusive of paper, we could have no variation from the mint price of gold, unless the currency was defective in its standard weight. If it was always of its legal weight, we should have no fluctuations in the value of our standard, but such as would be very speedily corrected by the exportation or importation of bullion, or coin, the mint being open to the public to supply deficiencies as they occurred, and the free export of the currency allowed to carry off any excess. With such a currency I would admit the truth of the abstract principle laid down; with such a currency there would be less temptation to give extensive credits, leading to a speculative rise in prices. But the case seems to be materially different, when we apply the principle to a currency such as we now have, and administered as it has been, composed, perhaps, of three fourths Bank notes and one fourth

metallic. It is the interest of bankers to save the expensive currency as much as possible, and to issue paper to the extremest point consistent with their ideas of individual safety; the consequence is, that a spirit of speculation is generated, and a speculative rise in prices follows. Every man's business is conducted on a scale of increased credit, depending, not on realized capital, but on the liberal accommodation of the issuers of Bank paper. While this game is playing, the country is said to be in a very flourishing state; government securities rise in price, and the rate of interest is for a time reduced. The years 1817 and 1818 were years of comparative prosperity, particularly the last six months of 1817, and the first six of 1818. The increased amount of the currency in those years, I think, will explain the cause of the apparent prosperity of the country. The Bank of England, we have already stated, added, in 1817, about 7 per cent to the amount of her issues compared with 1816. The country circulation in 1817 was increased above that of 1816 about 6 per cent, and the amount of notes stamped was 41 per cent above 1816. In 1818, though the Bank of England decreased her issues of paper, the issues of gold in 1818 probably made the currency exceed the amount of 1817. The country circulation was increased in 1818 above that of 1817 about 29 per cent. During this period gold rose about 5 per cent only, while 3 per cent

consols, as we have already stated, had risen in a few months, in 1817, 32 per cent.

In 1819 the apparent prosperity of the country seemed to vanish with the first measures of the Bank for the resumption of cash payments. The average issue of Bank notes was reduced in this year, compared with 1818, about 7 per cent; and comparing the average of January with December 1819, the reduction was nearly 16 per cent. The pressure of this contraction was immediately felt by the commercial community; individual credits were diminished, and stock was sold at a great sacrifice of price (three per cents fell from 78 to 66¼ by June), to make good existing engagements. The price of gold fell to its mint price; the fall was about 5 per cent. Silver fell in nearly the same proportion; its fall was from *5s. 6d.* to *5s. 2d.* per oz. By the increased value of money, prices were forced down, the capitalist refrains from purchasing, knowing that the necessities of the holders of produce must, in the end, force them to make sales, at such prices only as the buyers choose to give. The fall in prices, therefore, must be general, and to a much greater degree than the mere contraction of the currency, or the rise in its value. Suppose, for example, as was the case in the beginning of 1819, commercial confidence and credit was at its height, and we shall represent it by the figure of 100. The Bank of England, in her anxiety to comply with the

wishes of Parliament, takes measures to possess herself of gold in such quantity as to enable her safely to resume payments in cash, suddenly withdraws from the circulation 10 per cent of the 100, not seemingly aware that a contraction to this extent would produce any violent effect upon the state of public credit. The community, whose transactions and credit stood in the relation of 100, are thus unexpectedly reduced to 90. With a currency, where Bank paper decidedly predominates, even though payable in gold on demand, there is a tendency, from the interests of the issuers, that credits should rather exceed than fall short of real capital; there is now a competition for money; for a man may as well be a bankrupt as be within 10 per cent of it; disposable securities are sold at any sacrifice to maintain credit, which will easily account for the rapid fall in stocks. Those who have no such securities to sell, and who from the facility of obtaining credit, had greatly exceeded their capital, become bankrupts (and we have already stated that the bankruptcies of 1819 exceeded those of 1818 by 37 per cent); the panic becomes general, every man who can, providing himself against the evil that has overtaken his neighbour; and though the issues of the Bank stood at 90, the actual amount of the *circulation* may be reduced to 80, or 75. The demand for discounts at the Bank may increase, the Directors may be more liberal, but for a time the money will be withheld

from circulation, every man being alone interested for his own solvency. To the scarcity of money there follows a stagnation of all trade, until prices are forced down to, or below, the cost of production. Country bankers are precisely in the same situation as the Bank of England, but with less of public confidence; their issues are contracted, and the distress, that began in London, spreads throughout the country. The sacrifice of individual property becomes immense, and thousands are reduced from comfort to ruin and want. It has been already stated that in 1819, 1820, and 1821, the circulation of country bank notes was reduced 76 per cent, compared with 1818; and yet it has been gravely stated that prices had only fallen in the proportion of the reduction of the market price of gold to its mint price.

The great disproportion created between the amount of commodities, and currency, would at once account for the general and long continued depression of prices, experienced in the years in question. Prices began to fall in 1819, and kept falling as the contraction of the currency proceeded. Those who maintained, that prices fell in consequence of abundant harvests, must admit that commodities were increased in amount, and being circulated with a currency, diminished in amount in 1819 about 16 per cent by the Bank of England, and 15 per cent by the country bankers, being about 15 per cent of the whole, must

now admit that prices fell from both causes. In 1820 the Bank circulation varied only 15*s.* per cent of increase, but the country circulation was reduced 32 per cent, which, added to the preceding year, makes the total average reduction about 35 per cent in two years. In 1821 the Bank circulation was diminished about 2 per cent compared with 1820, and the country circulation was reduced 28 per cent, making a contraction of the whole currency of about 15 per cent additional; making a total reduction of the currency (commodities by the argument at the same time increased in amount) in three years of 50 per cent. It cannot be surprising then, that commodities fell, as Mr. Attwood stated, from 30 to 45 per cent, but the surprise is, that they did not fall to a much greater extent. And perhaps the best reason that can be assigned for their not falling in proportion to the rise in the value of the currency, was the check, thus given, from low prices, to production. If general prices had fallen by June 1821, 45 per cent, it is impossible to doubt the fact, though it may be difficult of proof, that production was checked long before that period, and agricultural and other produce diminished and not increased. In expressing these opinions, I am sensible of differing from Mr. Tooke, in his valuable book upon high and low prices. He maintains, notwithstanding the great contraction of the country circulation, that prices

were not affected to a greater degree than by the fall of gold to its mint price. Mr. Tooke states, p. 196, Part I. of High and Low Prices, that "a reference to the prices of commodities, combined with the quantities and other circumstances affecting them, proves the *total absence* of any ground for imputing to the alterations in our currency a greater influence than that which has been indicated by the difference between paper and gold." Again, p. 205. "That the fall of prices between 1814 and the autumn of 1816, the rise from that time to the autumn of 1818, and the subsequent decline to the present time (January 1823) may equally be accounted for by circumstances connected with the supply of commodities relatively to the average rate of consumption, without referring to alterations in our currency any part beyond the degree indicated by the difference between paper and gold, consequently without ascribing any influence to Mr. Peel's Bill."

If Mr. Tooke is correct in his opinion as to the fall of prices being entirely caused by abundance of home or imported commodities, he involves us in this dilemma, that, production to maintain the relative abundance of commodities can be carried on for a period of years, with falling prices, of course with reduced profits, and that prices could fall from 30 to 45 per cent, and production go on unimpaired, or nearly so; which must have been the case during a part of 1819, 1820, 1821, and

perhaps nine months of 1822. If I grant Mr. Tooke his argument to the extent, that commodities, notwithstanding the increased consumption by low prices, remained relatively the same during these years, and show, that in 1819 the currency was reduced by the Bank of England and country bankers about 15 per cent; in 1820, 20 per cent, and in 1821 by the Bank of England and country bankers 15 per cent, making the reduction in the amount of the currency spread over the surface of these three years 50 per cent, I think I have made out a stronger case for such continued low prices, than by supposing that they were entirely caused by an excess of commodities.

I am quite willing to allow, that from excessive production in one or in all commodities brought to market, where no alteration, or a trifling one, is made in the amount of the currency, prices must fall, and fall in proportion to the excess of production. But if we take into account, that the competition of capital is to reduce profits to their lowest amount, it will follow, that a check will be given to production while such low prices continue. This is the natural result of low prices; and in the case of agricultural productions, the last land taken into cultivation may cease to be cultivated in a very short time. Increased consumption from low prices is the natural counteracting cause, and its operation, with diminished production, will, in a much less period than four years, restore profits

to their former level. The period of returning profits may be prolonged, if the labourers are not employed, which we must not admit, if we allow for a continued and progressive production, which is consistent with Mr. Tooke's view of the case; but may account for the extraordinary supplies of wheat and flour brought to Mark-lane at the close of 1821 and part of 1822. The great stagnation in trade in 1819, 1820, and 1821, may admit the conclusion that consumption during these years was diminished, and tended still further, with the effect of a diminished circulation, to affect prices. Mr. Tooke, however, has not I think taken sufficiently into consideration, that the necessities of individuals might really force sales of produce; and what was a temporary supply, caused by these necessities, he infers was permanent. In this case, was it the state of the currency that was the operating cause, or was it over production? If the supplies had continued undiminished, I should infer with him, that it was over production; but he admits, that diminished supplies raised prices: consequently either the cause of the evil was diminished towards the end of 1822, or excessive sales and consumption was the remedy, p. 192.

The fall of prices in 1815 and 1816, I also attribute to the contraction of the currency. In 1815 the circulation of the Bank of England was reduced, comparing the three first with the three last months of the year, 4½ per cent; or the two

first with the two last months, $6\frac{1}{2}$ per cent. In 1815 the country circulation, as compared with 1814, was reduced 16 per cent. In 1816 the Bank of England reduced their circulation rather more than one per cent; and the country circulation was reduced $20\frac{5}{6}$ per cent. This seems to me a sufficient cause for the fall of prices in 1815 and 1816, and part of 1817. If the contraction of the currency had been continued throughout 1817, as in 1815 and 1816, prices no doubt would have declined still further. But in 1817 prices rose; not agricultural prices only, but prices generally; the defective harvest of 1816 might account for the rise in the price of grain, but will not for the general rise of price in other produce. Now what was the fact as to the currency? The Bank of England, as we have already stated, increased the issue of her notes this year about 7 per cent above that of 1816, and this was in addition to a considerable issue of gold. The country bankers added to their issues about 6 per cent, and had notes stamped to the extent of 41 per cent above that of 1816. Here was an addition to the currency of 13 per cent, and prices rose. In 1818 the issues of paper by the Bank were decreased compared with 1817, but the issues of gold probably made the numerical amount greater than in 1817. In 1818 the country circulation was increased about 29 per cent, and if we take the average issues of the Bank, throwing the addition

of the gold out of the calculation, at 27,228,208*l.*, as already stated, the increase to the general currency would be nearly 10 per cent, which added to the 13 per cent makes the total in two years about 23 per cent. There should be no surprise, then, that prices rose in 1817 and 1818.

## CHAPTER VI.

Examination of the opinions of Mr. Tooke and others as to the cause of the fall of prices from 1814 to 1822.

Mr. Tooke maintains, "That the fall of prices between 1814 and the autumn of 1816, the rise from that time to the autumn of 1818, and the subsequent decline to the present time (January, 1823), may equally be accounted for by circumstances connected with the supply of commodities relatively to the average rate of consumption, without referring to alterations in our currency any part beyond the degree indicated by the difference between paper and gold."

Mr. Tooke has, I think, laid too much stress upon this argument: the cheapness that would follow from increased production would come gradually upon the public; and if the amount of currency remained the same, the fall in prices would be relatively to their abundance. But to suppose that one, or even two, good harvests should cause a fall of prices generally from 30 to 45 per cent, is giving more to the bounty of nature than I think will be found consistent with the fact. But admitting the fact, does it follow that this abundance should cause general distress,

and reduce the agricultural community to the verge of ruin? Admitting the argument, that a productive harvest would cause a fall of prices beyond the actual abundance, would the farmer have no recompense whatever from such abundance? Would such abundance render him incapable of paying, for two or three years in succession, more than two-thirds or three-fourths of his rent; when landholders were obliged to meet their tenants with a reduction to that extent, or have their farms thrown upon their hands. I cannot contemplate such a state of things from bountiful harvests, even under the operation of our present corn laws. Nor am I aware that any evidence of such being the case can be produced in the history of the agriculture of this country, unaccompanied with variations in the amount of the currency. The case, however, assumes a very different form when we adduce evidence, that two harvests, that is, 1819 and 1820, the first rather more than an average, and 1820 considerably above an average crop, were accompanied by a diminution of the currency in these years of 50 per cent, compared with the year 1818.

That an abundant crop should produce general distress is negatived by the evidence of Mr. Iveson, before the Agricultural Committee of 1821. The experience of Mr. Iveson was extensive; he was a land agent, and collected rents in Wilts, York,

Durham, Middlesex, Buckinghamshire, Wales, and in Herefordshire.

Mr. Iveson was asked, "Supposing the wheat crop to have been abundant, and the importations large from Ireland, do you think that those causes are sufficient to account for the distress which is now experienced by the farmers?—I do not think it altogether.

"To what other causes then do you attribute the distress among farmers?—There is a difficulty in getting rid of produce; a man may take his produce to market, and nobody will ask the price of it.

"Is not that the effect of abundance?—Unquestionably, to a certain extent, it is the effect of abundance; and also the effect of a less consumption. I do not think the consumption is any thing like so great as it was.

"Has the importation of foreign corn nothing to do with it?—The account which I have seen stated of foreign corn introduced into this country is so small that I cannot think it has." After several questions as to the effect of abundant crops upon prices, and distress arising therefrom, the Committee ask,

"When the Committee say that you can contemplate, they appeal to your experience, and not to your imagination; they do not wish you to imagine such a case of abundance as you have never seen, but such as occasionally occurs?—*I know of no*

*crop that has produced it; I know of no abundance that has produced it hitherto.*

"Do you attribute the present low price of corn, and the distress of the farmers, in any degree, to the good crop of 1820; to the abundant crop of 1820?—I certainly cannot attribute the *distress to abundance*, if there was not some other reason for the price being very much lowered.

"Then it is your opinion that the distress of the farmers never can proceed from abundance alone? —*I think it very unlikely.*

"Supposing the crop of a farmer to be double his average produce, would not the profit arising to him from the additional quantity prevent the distress which now so generally prevails?—Undoubtedly; if he made a return by the price equal to what he would have made had there been a short crop and high prices.

"In that we all should agree; but the question is, as to your opinion, whether he will or not; is general abundance, in your opinion, injurious or otherwise to the farmer?—*I cannot conceive abundance injurious to any body.*" I think the common sense of mankind will accord with Mr. Iveson's last answer.

The situation of the country in 1816, from the contraction of the currency, was very similar to that of the year in question. Mr. Iveson was asked,

"Do you recollect were you in business in 1814? —Yes, I was.

"And in the year 1816, likewise, I suppose?—Yes, I was.

"Do you recollect the alarm that existed then among the tenantry and the landholders of the country?—Yes; there certainly was a considerable alarm at that time.

"At both periods?—Yes, at both periods.

"What was that owing to?—A very great falling off in the price of grain; there was a very great diminution in the price of grain and cattle.

"Was the alarm any thing at all at that time corresponding to that which now exists?—For a time it was very much the same, but I do not think that it continued so long.

"Was there very much difficulty in collecting rents, or in finding tenants for the farms at that period?—There was, I think, nearly as much difficulty in collecting of the rents as there ever has been, I think, in my experience. I do not think there was such a general panic; nor do I believe there was so much shyness in tenants embarking their capital in farming as there is at the present time."*

Here we have the same effects following the same causes in these two periods. The harvest of 1815, like that of 1820, was abundant. According to Mr. Hodgson's evidence before the Agricultural Committee, p. 264, 37 Winchester bushels per

* See Minutes of Evidence before Select Committee on Petitions complaining of the depressed state of Agriculture, p. 338, 339, 340.

acre was the produce as estimated by his house for 1815; and for 1820, $37\frac{3}{16}$. But his evidence negatives the idea of 1819 being an abundant year, for the estimate of the produce of that year is $27\frac{7}{16}$ bushels per acre.

It is surely very repugnant to the common sense and experience of mankind to say, if the agricultural community were blessed with a harvest of 25 per cent greater produce in 1820 than in 1819, that in 1821 they should be in a state of general distress, incapable of paying their rents, unless from the savings of previous years, or by forcing produce and live stock to market, to save themselves from bankruptcy! Well might Mr. Iveson say, "that I know of no crop that has produced it; I know of no abundance that has produced it hitherto."

We have the evidence of Mr. Wakefield, another extensive practical land agent, who was asked,

"Is not a great part of the fall in the price of corn owing to the two succeeding good crops which you have mentioned?—I think not entirely; I think it is a question of currency and good crops, and the want of demand, as I stated before, for the army and navy, and for Portugal and Spain." P. 210, Evidence, &c.

"Do you think the import contributed at all to it?—I think very little; there has been no imported corn in the market of late." P. 210.

"Be so good as state, generally, your opinion, how the alteration of currency has operated on the agricultural distress? I certainly think it is a main and great reason of the distress.

"You take it to be the main reason of the distress?—I attribute it more to a change of currency than any other thing.

"How do you take it to operate upon it?—In a general fall of prices.

"Is it not a fact, that there has been a great diminution in the usual accommodation to farmers, from the country banks?—To a wonderful degree; I think, that up to the year 1813, between 1796 and 1813, there was an accommodation given by the country bankers to farmers, and all persons in trade, to a most unwholesome degree, if I may use the expression. I say, that the failure of all those banks (where they were not persons of very great capital) in 1813, was partly in consequence of that; and though the failures were hurtful to a very great extent at the moment, I am of opinion, that they must be of great good to the country in the long run. I have often heard it used as an argument by gentlemen, that farmers need not take the country bank notes, unless they please; but I say it is utterly impossible for them to take other than the notes of the provincial bank of the market town, where they take their produce to market; and the distress which I have seen experienced by farmers in different districts, on the failure of a

great country bank, has been very striking indeed.

"When was the period of the greatest facility of that sort of accommodation which you have alluded to?—Up to the year 1813 there were banks in almost all parts of England, forcing their paper into circulation at an enormous expence to themselves; and, in most instances, it has been done to their own ruin. There were bankers who gave commissions, and they sent persons to the markets to take up notes of other bankers; and these people were called money changers; and commission was paid for doing it in this way. In every instance where I have traced such commission transactions, I have found that failure has certainly ensued. No banker can afford to pay for getting his notes out over his counter.

"Do you not consider, that that circumstance contributed mainly to the very high prices at that period?—I think so. I think the facility with which money could be borrowed at that time was partly the cause of them. I know no persons more distressed at this time than farmers, who were considered very opulent persons up to the period I am speaking of, namely, in 1813. They were persons who purchased their own estates, and whose measure of value was seldom looked to, as to their intrinsic worth; it was merely a question of how much money they could raise in order to pay for them. At that time no person bought

an estate too dear; at that time those estates were encumbered by mortgages, and there are very few of them which the buyers would not gladly bring to sale at a depression of 10 or 20 per cent less than they cost them; and there are many instances in which they would gladly escape at a greater loss; but, some of these estates are mortgaged for more than they are now actually worth; and the buyer has lost the earnings of his life, which was the surplus he paid beyond the money he had borrowed on mortgage.

"Did you ever hear, in the course of transactions at that period, either on the part of the land purchasers, or of persons who lent money on mortgage, any opinion that the value of money was likely to undergo any great alteration in time of peace?—The rise in prices was gradual, and, with the majority of persons, I believe imperceptible, and every body was acting as if no bad times were ever to take place.

"Has not then the alteration in the currency, first by rendering money less valuable, and since by rendering it more valuable than it was, been the cause of deceiving and ruining a great many industrious persons who were in a state of opulence and ease?—I have observed it most particularly, and to an extraordinary extent.

"Have not those fatal consequences resulted, mainly, since the period that money has become more valuable?—They were unknown before.

Up to the year 1813, one man might buy his estate dearer than another; but none appeared to be too dear, for they might always be sold a year or two after for a higher price than had been given for them."*

A great deal more of Mr. Wakefield's valuable evidence might be extracted, which would more fully confirm the opinion, that the general agricultural distress throughout the country in 1821 had its origin in the contraction of the currency. We shall have occasion to refer to his evidence hereafter.

The evidence of Mr. Custance, another extensive land agent, is corroborative of the fact, that the agricultural distress of the country was occasioned by the contraction of the currency. Mr. Custance was asked, "Have you, ever since you have been a land agent, seen the farmers in so distressed a state as they are at this time?—I think they were more so in 1815 and 1816; at that time it was difficult to sell; but a man may now sell his commodity if he will take the price of the day.

"If you think the farmers were more distressed in 1815 and 1816, have they had time, since that period, to recover from the distresses of that period?—I think not, there was a great shock at that period.

"You have stated just now, that you conceived the farmers of the present day to be in a better

* See Minutes of Evidence, p. 213, 214.

situation than they were in 1815 and 1816?—I think there was a greater check generally, in the years 1815 and 1816; every thing was positively at a stand still at that moment, *till money began to circulate again.* I am not prepared to say, that they are better off at this period.

"Do you think, that, at any period since the years 1815 and 1816, the farmers have been in a better situation than they are at the present moment?—Yes; I think they were after the bad harvest; *I think in* 1817, *money came more into circulation,* and they began to procure breeding stocks again; lambs and sheep sold very well, and they were better off in 1818 than they are now.

"Is it your opinion, that the farmers are in a gradually declining state, or that the present distress arises from any sudden shock, similar to that which occurred in 1815 and 1816?—I think, if the present prices remain, the farmer must sink; it is only in the expectation that some change will take place, that they can hope to go on; the shock has not been so sudden as in 1815 and 1816: the depression has been more gradual.

"Have you considered whether an abundant, an average, or short crop, is the most advantageous to the farmer?—*I should think an abundant crop; I see that a farmer is always anxious to get quantity; therefore, I suppose it is the quantity that is to pay him.*"

Here we have a mass of evidence from practical

men of experience, that the distress attending the agricultural community in 1815 and 1816—again in 1819, 1820, and 1821, was occasioned by a contraction of the currency, the existence of which we have already stated. That in 1815 and 1816 was more severe, because more sudden, than in the latter years—and sooner removed, according to Mr. Custance's evidence, for in 1817 *money came more into circulation.* I have already stated, that the increase of the circulation of the Bank of England (independent of the sovereigns issued), and of the country banks, was equal to 13 per cent compared with the year 1816. Prices rose as a consequence, and distress diminished. The year 1818 was reckoned a year of tolerable prosperity; that is to say, prices rose, or kept the level of 1817. The Bank of England probably increased the amount of circulation this year, compared with 1817; and the country circulation was increased about 29 per cent above that of the preceding year.

Besides the mere rise of prices, in consequence of this extension of the currency, there would be the speculative rise, which always attends the facility of obtaining credit; and as this facility has its origin in the abundance of currency, it is impossible exactly to determine the extent of it.

When credits are easily obtained, individuals purchase commodities with no other view than to sell them again at a profit. On every such trans-

action private paper is created; and the demand for bank paper is increased in the ratio of such transactions. Though it is the interest of bankers to extend their issues to the greatest amount consistent with their own safety, the prudential feeling on their part is likely to operate sooner, than on those who are in want of credit, and a sudden stop is made to its further extension. The contraction of the currency then becomes much more rapid than was its extension, and distress and embarrassment follow as a natural consequence.

Upon such grounds I think the distress of 1815 and 1816; and of 1819, 1820, and 1821; may be rationally and satisfactorily explained. Indeed, a very little consideration would make it evident, that all great convulsions in public credit and prices must have their origin in alterations in the amount of the currency, and can only occur where the power of sudden augmentation exists, and that power may be said to be peculiar to a paper currency. The power cannot exist with a purely metallic circulation.

I do not, therefore, attribute much, if any, of the distress in the years in question to the abundant harvests—experience, I think, is decidedly against the fact; and I think the principle itself cannot be supported by sound reasoning.

Let us suppose, for the sake of argument, that we had no other than a metallic currency (subject only to such variations in value as are attached to

it as a standard by which commodities are valued;—and it is admitted, that such variations from year to year are not, and cannot be, extensive) and that we have a harvest more bountiful than the one preceding by 25 per cent. It seems to be generally admitted, that the fall in prices would exceed 25 per cent (and, under the operation of our corn laws, I think such admission warranted, though if the trade in corn was as free as in bullion, such admission would not be required), let us say 30 per cent, for it does not necessarily follow, that a farmer should wish to carry his abundant crop to market with greater haste than a less productive one. The loss to the farmer, then, will only be 5 per cent; and for a part of this loss he will find indemnity by a reduction in the price of labour on his farm, and the keep of horses, &c. &c.

On the other hand, if corn is produced in such abundance, it will alter the relative value between money and corn. Money rises in value; and corn, and all other commodities, fall in price, because the wages of labour will fall with the price of corn; and all commodities will fall, the production of that labour. The farmer will here have a further compensation for the reduction in the price of his abundant crop. Moreover, the commodities produced by the fall in the wages of labour will be exported; and from the high value of our currency, bullion will be imported in return, until the value

of our currency is restored to the level of other countries; and then prices will rise, if not to their former level, at least to such an extent as to place the farmer on a footing of equality with other producers. If it is contended that the wages of labour are not so speedily adjusted to the price of corn, as is here supposed, but continue as before the abundant crop, then increased consumption will tend to prevent such a fall in prices as to be injurious to the farmer.

If such would be the case with a metallic currency, there ought to be no difference in the result with a well-regulated paper one, convertible into gold on demand. In my opinion, therefore, general agricultural distress can never follow as a consequence of abundant harvests.

Mr. Tooke has laid great stress on the abundance of the supplies of the leading articles of consumption, brought to market, in justification of his opinion of the fall in prices being occasioned by abundant production.

"Of the fact," says Mr. Tooke, "of abundance of supply of the leading articles of consumption there cannot, I should think, be any reasonable doubt.

Let any corn factor be asked whether the supplies of wheat and flour in Mark-lane, at the close of 1821, and through the first half of 1822, were not quite sufficient to have produced the fall of prices, and the apparent tendency to a further de-

pression as long as there was no security against a continuance of so overwhelming a supply; and whether there is any appearance of a want of funds, or of inclination on the part of buyers to speculate, if they could be satisfied of an inadequateness of the stock in this country? Indeed, since the tide of supply has somewhat abated, within the last three months, there is a decided improvement in the market. The same may be observed of oats. Barley, being decidedly short in quantity, has got up to a high price, relatively to wheat.

"The extreme low price of cattle has of late attracted so much attention, that I insert a statement of the numbers sold at Smithfield for the last four years:

| | Neat Cattle. | Sheep and Lambs. |
|---|---|---|
| 1819..... | 135,226..... | 949,900 |
| 1820..... | 132,933..... | 947,990 |
| 1821..... | 142,133..... | 1,107,230 |
| 1822..... | 143,830..... | 1,353,043 |

"The comparative increase has been equally great at Liverpool and Hull; and I am told that the supplies at the other markets in England have been no less superabundant. How, then, can there be any difficulty in accounting for the very low price of meat during the last twelve months? It may be said, that this excessive supply has arisen from distress, and that it cannot continue; this may be true; *but whatever be the cause*, the ex-

cess actually in the market must equally affect the price. There has been a trifling falling off in the quantity within these few weeks, and a little corresponding advance in the price." P. 191, 192, Part I. Thoughts and Details, &c.

In this statement, Mr. Tooke seems to me to have mistaken an effect for a cause. Throughout his whole work he wishes his readers to understand, that the extreme lowness of prices is owing to abundant crops; "without imputing any agency to the currency beyond the improvement of the paper as compared with gold." And this is admitted to be from five to ten per cent only.

If the argument I have stated be correct, regarding the effect of abundant crops, we must abandon the idea of abundance producing such general distress as existed in the four years in question; and we must account for that distress upon some other principle.

It has been already stated, that the diminution of the currency in 1819, 1820, and 1821, on the part of the Bank of England and country bankers, was as follows:

| | |
|---|---|
| In 1819, by the Bank of England, and country bankers, compared with the circulation in 1818 ..... | 15 per cent. |
| In 1820, by ditto ..... | 20 |
| In 1821, by ditto ..... | 15 |
| | 50 per cent. |

It is an admitted principle, that the price of commodities will be in relation to the amount of the currency, and if the latter is diminished, prices will necessarily fall, and by their fall as necessarily cause a stagnation of purchases and sales during the contraction. Here we have a progressive diminution in the amount of the currency at the rate of about 17 per cent per annum, for three successive years. Yet we are asked to believe, that the fall in prices, as connected with the currency, has been no more than that of the market to the mint price of gold, or at the utmost 10 per cent.

'It may be asked then, how do I account for the excessive supplies brought to market?—and my answer is, in the words of Mr. Tooke—"*that this excessive supply has arisen from distress.*" If we reflect for a moment on the situation of the agricultural community, we shall see that it could not be otherwise.

The farmer has certain fixed rates to pay—such as rent, tithes, taxes, and poor rates, &c. that will not immediately conform themselves to falling prices. He has a reluctance to sell in the face of a falling market, and there is a corresponding reluctance to buy. The quantity, therefore, brought to market is the precise amount of the consumption —a consumption narrowed considerably by the diminished power of purchasing in consequence of the contraction of the currency. The fall in prices,

therefore, will be less in the first year than in the second, but greater in the third than in the second —and the reason is obvious—the farmer will endeavour to make good his money payments of rent, &c. in the first year, without forcing his produce on the market. Mr. Iveson was asked, "You have stated that the farmers in a great many instances have paid their rents from their capital?—Yes.

"What do you mean by capital?—I do not know that I can explain it better than by giving a sort of instance, that men have had 300*l.* or 400*l.* laid by, or have had it out at interest, or have bought it in the funds, or have had it lying in some country bank, and they have been obliged to call in a portion of that to make up half a year's rent."

The progressive declining prices, in consequence of the progressive contraction of the currency, would soon exhaust the spare capital of the farmer; and to maintain his money engagements, which remain unaltered, he must force sales of produce at the market price. This state of things will satisfactorily explain the apparent abundance of supplies brought to market—and account for the general distress of the agricultural interests in the years in question.

Mr. Tooke's table of the sales of cattle at Smithfield, which has been already inserted, will prove this fact. In 1819 and 1820, the quantity of cattle sold was nearly the same. But in 1821,

there were about 7 per cent more of neat cattle sold than in 1820, and of sheep and lambs about 15 per cent. In 1822, the neat cattle sold exceeded 1821, little more than 1 per cent, and in sheep and lambs not less than 22 per cent. Mr. J. M. Rodwell stated in his evidence before the Agricultural Committee, in 1821, in answer to the following questions: "Can you tell us, of your own knowledge, how rents in general are paid in your part of the country?—I am able to state, in many instances, that the rents are very backward. I am authorized to make use of a gentleman's name, who lives in my parish, Sir William Middleton, who permitted me to say, that many of his rents are unpaid to Michaelmas, 1819; some of those that have paid have requested to have the money lent to carry on their business.

"Do you know, of your own knowledge, several other instances of the same kind, that you are not authorized to mention the name?—Yes; I have the honour to be employed by several gentlemen; I have not asked their permission, but I know the rents to be unpaid to Michaelmas, 1819; and that *the stock upon their farms*, which they are by their leases compelled to keep, is very much diminished; in one instance, where the person is under engagement to keep ten score sheep, he has not thirty pounds' worth of stock upon his farm; in consequence of which, supposing corn to be of the same price it was seven years ago, I consider the

land so much depreciated, that it would not let for any thing like the same sum of money that it did then; and I know of several farms of my own knowledge in the same state.

"Have you observed in the farm yards, in your part of the country, whether there are as many bullocks put up to fatten upon corn, and in good style, as there used to be?—I think I may venture to say, there is not a tenth part; within a few years, there was scarcely a farmer in the neighbourhood that had not his yard filled with beasts, fattening upon corn or oil cake; at the present time, it is very difficult to meet with such a thing." P. 83, 84.

Mr. Wakefield, p. 207 and 209, states the same fact: "I am inclined to think, that a great deal of rent the last year has been paid out of what may be termed their capital; either by means of borrowing, or prematurely selling their stock."

In answer to a question, if Mr. Wakefield had made any observation as to the quantity of stock, in his last circuit, he answered, "Yes, I have; and particularly made inquiries upon the subject; and I think the live stock of the country greatly diminished in numbers."

Here we have the evidence of intelligent men, first, as to the existence of distress; and, secondly, the consequence of it, viz. a premature selling of stock. This, I think, will satisfactorily account for the abundant supplies sent to market. In

1822, the currency became more stationary in its value, the distress became less pressing, and, according to Mr. Tooke, "There has been a trifling falling off in the quantity, and a little corresponding advance in the price." P. 192.

During the discussions in Parliament regarding agricultural distresses, and the state of the currency in 1821 and 1822, considerable stress was laid upon the great importations of grain from Ireland, stated as a cause for the low prices in the English market. Such importations were generally admitted as a proof of the excessive productiveness of that country. But it must be recollected, that, in 1820, there was a sudden and violent contraction of the currency of the sister kingdom, by the destruction of the greatest proportion of the private banks, followed by such a fall of prices as rendered exportation the only chance of obtaining money for agricultural produce. Mr. Nowlan was asked, in the committee on the depressed state of agriculture, in 1821, "Is there much grain in hand of the last crop of Ireland?—Indeed, I should infer not, from the great poverty of the farmers, and their anxiety to convert whatever they have into money. In this case, as in England, I would attribute the low price of Irish corn, and the consequent increased exportation, to the contraction of the currency."

The advocates, however, of the principle, that low price from abundant production was the cause

of general distress (always excepting the effect on prices by the fall of gold to its Mint price), did not confine themselves to commodities, the production of our soil or manufactures, but inferred, from increased importations, that other countries were subject to the inconvenience of abundance. As this involves one of the most interesting problems connected with currency, it may be worth while to pay particular attention to it.

I think, it is a generally admitted principle, that if the currency of all countries was metallic, and trade perfectly free, there would be a corresponding steadiness of general prices; because each country, in spite of monopoly, and prohibitions against the exportation of the precious metals, would obtain its proper proportion in relation to its wants. All history agrees in this proposition. Now, let us suppose a case; and in the statement of the argument, I admit it to be an extreme one, that England is suddenly deprived of 25 per cent of her currency. Prices must necessarily fall 25 per cent. The power of purchasing is so much impaired; and as all fixed charges for a time remain unaltered, such as rent, taxes, tythes, &c. general distress must necessarily follow. Commodities, in relation to currency, would appear to be in *excess*. But the reluctance of individuals to submit to such a sacrifice of price, would in the first instance induce them to supply the market sparingly; but in the end, necessity

knows no law, and they must submit to circumstances, and bring their produce to market for whatever price they can obtain. A scale of prices may then appear perhaps so considerably under the actual contraction of the currency, as to induce the belief, that the excessive supplies arise from excessive production, and hence the cause of the apparent abundance.

In those countries where no diminution of the currency had taken place, prices for a short time will remain stationary, but for a short time only; for as soon as the high value of money in England is known, those countries will immediately export a portion of their currency to supply the deficiency of England; the import of foreign produce will be checked, the low prices of England holding out no inducement to send commodities to our market. English commodities may be exported, in return for bullion; but this will only add to the disproportion between commodities and currency in the foreign market, and rather depress than raise general prices. Until, therefore, the bullion value of the currency of all countries is restored to its level, there must be a cessation of the import of foreign commodities.

Let us apply this reasoning to the state of England in 1815 and 1816, when we were subjected to a contraction of our paper currency by the Bank of England and country bankers, of 23 per cent in these two years,—and to an extension of the cur-

rency by the Bank of England paper, and country paper in 1817 and 1818, of 23 per cent; and I think we shall have no difficulty in accounting for the excessive imports mentioned by Mr. Tooke, as the token of increased production. The check which had been given to importation, from the contraction of our currency in 1815 and 1816, became apparent in the imports of 1817 and 1818, but these imports do not in my opinion afford any proof of that "*indefinite abundance*," that Mr. Tooke supposed to exist. The abundance, I think, may be fairly traced to the stagnation in buying and selling, and the diminished consumption, that will necessarily attend so great an alteration in the circumstances of all classes, by so great a contraction of the circulating medium. It is the operation of this principle that renders the use of a paper currency so hazardous, not only to the country using it, but to all other countries with which it may be connected in commercial affairs. It would be very difficult to estimate the loss of wealth to the country during the years 1824 and 1825, from the mass of imported commodities sent to our markets for the high prices then existing.

## CHAPTER VII.

An examination of the cause which leads to general speculation and over-trading, as connected with the amount of the currency.

In the preceding chapter I have endeavoured to show that general distress is not, and cannot be, the natural result of general abundance; that such a state of things can only be produced by a sudden and extensive contraction of the currency; and may occur under any state of the supply and demand of home or foreign produce.

I shall now proceed to state the cause, which appears to me fully and satisfactorily to explain the theory of general speculation, ending in what is usually denominated over-trading. It is impossible not to attach very great importance to this principle, as it involves the welfare and safety of the whole community.

This subject has been discussed at large by Mr. Tooke, in his work on high and low prices. As I differ in opinion with Mr. Tooke on this important subject, I shall quote, from his work, his opinions at large. before stating my own.

Mr. Tooke states, that, "in 1815, and the early part of 1816, the exports from this country had been made with great forbearance and prudence, because almost every class of merchants was at

that time suffering from the effects of too great eagerness of adventure.* This forbearance was, of course, attended by a large profit on what had been sent; and the consequence of the favourable result of shipments on a small scale was, as usual on such occasions, not only that some of the regular houses extended their shipments, but that fresh adventurers embarked in them to a considerable extent.

"So many circumstances combining to the creation of private paper, and to the multiplying of transactions on credit, would, I am persuaded, have been felt in a general advance of prices in 1817, if there had been no increase whatever in the circulation of the Bank of England; and, in fact, corn had already reached a higher price in the first six months of 1817 than it has ever since been at; and several other articles had also risen by that time, although not yet in any considerable degree; all, however, indicating revived confidence, and an

* The undue speculations here mentioned, I think will be found in the very great extension of the Bank of England paper in 1813, and 1814, and the forbearance of export from the general derangement of commercial credit, the necessary result of the contraction of the currency, to the extent of 25 per cent, in the years 1815 and 1816, just mentioned. In all statements and reasoning on general prices, exports and imports, the increase and decrease of the currency must never be lost sight of. The state of the currency will, in all cases, regulate the temperature of commercial enterprise.

increase of transactions. Now, down to July, 1817, the increase of Bank of England notes was very inconsiderable, viz. about 700,000*l.* above the average of 1816, but still a million below the average of the corresponding six months of 1814; and there was no issue of gold worth mentioning during the first six months of 1817.* Will any person, then,

* Mr. Tooke may be correct in his statement, that the increase on the half-year's average of 1817, of the issues of the Bank did not exceed 700,000*l.*; but if we compare the notes in circulation, in November, 1816, with February, 1817, we shall find a very different result. On the 30th November, 1816, the average notes in circulation amounted to £25,593,120
On the 22d of February, 1817 ..... 27,236,220

Showing an increase in three months of .... 1,643,100

If we compare the month of May, 1817, with November, 1816, the increase will be .. 1,576,320
If we compare the notes in circulation on the 22d February, 1817, with those in circulation on the 30th August, 1817, a period of six months, the increase will be found to be ..... 2,217,550
And, if we compare May 31st with the 30th August, a period of three months, the increase will be found to be ..... 2,374,330†
By the first statement it appears that the addition to the currency was more than double what Mr. Tooke supposed it to be; and in the last it is three times as much. From November, 1816, to February, 1817, a period of three months, the increase exceeded a million and a half; and therefore the rise of prices

† See an account of the amount of Bank of England notes in circulation in the last week in February, May, August, and

continue to maintain that the rise of prices, down to the end of June, 1817, (wheat, and several other

in the first six months did not precede the addition to the currency, but followed, as it ought to do, that addition.

I am certainly not one of those that would admit that an addition to the currency of 700,000*l.*, or 2,374,300*l.*, would raise prices 100 per cent; nor do I think, bad as the harvest of 1816 was, that it was deficient to an extent to raise prices 100 per cent. Mr. Hodgson, in his evidence, p. 264, before the Select Committee on Agriculture, in 1821, stated that "the crop of 1815, according to the method explained, gave a result of 37 Winchester bushels per acre; 1816, gave $25\frac{2}{10}$; 1817, gave $33\frac{4}{10}$, and 1818 gave $32\frac{6}{10}$; 1819 (called one of the years of over-production), $27\frac{5}{10}$; 1820, $37\frac{2}{10}$; this is the quantity reduced to Winchester bushels, at 60lb. a bushel." From this estimate, Mr. H. admits, that about one-sixth ought to be deducted for loss by hedges, ditches, harvesting, &c. &c. Now, according to this statement, the harvest of 1816 was deficient, compared with 1815, about 32 per cent only; and before the first six months of 1817, the price of wheat rises 68 per cent beyond the reputed deficiency of the crop. What I contend for is, that wheat would not have obtained this high and unwarrantable speculative price, but for the addition to the currency, not of 700,000*l.*, but of upwards of 2,000,000*l.*, before the harvest of 1817 was off the ground: that the speculations in wheat, and general produce, had their origin in, and were promoted by, the abundance of the currency, and gave rise to that creation of private paper and credit that would not, and I think could not, have existed independently of the

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November, in each of the years from 1790 to 1819, both inclusive, page 320, Appendix to the Lords' Committee of Secresy, in 1819.

"N. B. These days have been selected by the committee as remote from the quarterly periods at which the dividends are paid."

descriptions of agricultural produce having at that time advanced above a hundred per cent,) corresponded with the addition made within the same period to the circulation of the Bank of England, the rise of prices, moreover, having preceded even this addition? There is no doubt, however, that this addition, small as it was, proved to be excessive, because it coincided with circumstances calculated to enlarge the circulation of private paper; and the exchanges, accordingly, as early as the first six months of 1817, manifested a tendency downwards, and the price of gold upwards; and if the Bank Directors had not, unfortunately, upon system, disregarded, in the regulation of their issues, the indication by which their predecessors, previous to 1797, professed to be guided, they would have been warned to contract, instead of enlarging, their issues. But if the increase of about 700,000*l.* Bank notes in the first six months of 1817 was excessive, under the circumstances described, what is to be said for the prudence, or propriety of the further increase which took place to the extent of near two millions on the average

increase of the currency. The further extension of the currency is in a manner forced upon the Bank Directors, by the presenting of bills for discount during the progress of the speculative rise in prices. The first merchants are embarked; and there is a reluctance, for a considerable time, to give any check to the creation of private paper, by refusing discounts at the Bank.

of the following six months, when all the circumstances tending to make the former amount excessive were in full operation? when, by a simultaneous issue of gold, the circulation was still further, although for a moment only, enlarged? Such an enlargement of the basis of the currency, co-operating with the causes favouring the extension of country bank notes, and private paper generally, tended certainly to accelerate the rise of prices of such articles as were in a relative degree of scarcity, and to promote the spirit of speculation and over-trading. Several articles that had been the objects of speculation reached their utmost elevation by the close of 1817: some others being still scarce, or supposed to be so relatively to an increased consumption, continued to advance till August and September, 1818. There was accordingly, down to that period, a considerable briskness of circulation, and a frequency of transactions on credit; and, in general, the spirit of speculation having been so fully excited, did not immediately subside with the cessation of the original impulse; that spirit had likewise been kept alive, with reference to agricultural produce, by the extraordinary character of the weather in the summer of 1818. It must be within the recollection of most of my readers that a drought of four months prevailed from May to September, and apprehensions were, in consequence, entertained of stunted crops of every kind. Hay got up to 8*l.* per

load; beans, turnips, and potatoes, were supposed to have totally failed; large orders were sent, and ships chartered, to fetch beans from the Mediterranean; oil cakes were in such demand, that linseed advanced considerably, and the crops of corn, though healthy, were expected to yield below an average produce.

It was on the ground of these anticipations of scarcity, that British corn was bought freely on speculation, and that many farmers were induced to hold back their stocks; many persons, likewise, importers as well as dealers and farmers, reasoned erroneously on the operation of the corn laws, and supposed that, when once the ports were shut, having the monopoly of the home market, they would be secure of obtaining, at worst, within a trifle of the opening prices. Hence the price was prevented from falling sufficiently to shut the ports till the February following, and there was a large importation of corn from the Baltic in 1818.

But the result of the harvest disappointed these anticipations; the drought had not extended to Ireland, nor to Scotland, nor indeed much to the north of the Trent in England; and even in those parts where the drought had prevailed, the quality and condition of the corn were generally good enough to compensate, in some measure, for the shortness of the straw; the autumn, too, turned out singularly genial for the recovery of the pastures, and was followed by a mild open winter.

I have been thus particular in a description of the season of 1818 (which in strictness would come more properly into a subsequent part of this work), because the extent and variety of miscalculations upon particular descriptions of produce were greater than I have ever known: and the effect of those miscalculations on prices was very considerable while they lasted. All these circumstances, both as affecting agricultural produce, and other commodities, were calculated to keep up, if not to extend, the amount of private paper, and of transactions on credit, till an advanced period in 1818. By the autumn, however, all speculations on a scarcity for that season had ceased, and prices assumed slowly that tendency downwards which, with a few intermediate abortive speculations upon the precariousness of subsequent seasons, has continued till within these few weeks. At the same time, with the cessation of apprehensions of scarcity of our own agricultural produce, there was a general increase in the stock of imported commodities; the rise of price of a large proportion of them had taken place in the year before, and sufficient time had therefore elapsed to admit of the encouragement thus held out, being followed by a greatly enlarged importation in the autumn of 1818. And while European, American, and West Indian produce (coffee excepted) were thus coming forward in abundance, unusually large supplies of cotton and sugar were poured in from the East

Indies. It is material to bear in mind that, by the concurrence of all these causes, a general abundance was restored by the autumn of 1818; and, what was perhaps of fully as much influence on the eventual course of prices, it was discovered that many of the sources of supply could furnish a much larger quantity, upon the slightest additional encouragement. There was, therefore, not only the full weight of actual abundance on the markets, but there was the further depressing effect of contingent and almost indefinite abundance. The death-blow, accordingly, was given to the range of high prices as early as between July and October, 1818; and I have dwelt the more at large upon the circumstances leading to this point, because, in as far as the restoration of abundance was an adequate cause for a fall of prices to the full extent to which they were eventually depressed, it negatives the assumption of a connexion between that fall of prices and the prospect of the near termination of the Bank restriction. That prospect was certainly no ingredient in the fall of any of the commodities that I was practically concerned in at that time; nor is it probable that it should have been: for, with the exception of a few individuals, advocates of the paper system, who, it afterwards appeared, had some private interviews with Ministers to deprecate the resumption of cash payments, the public generally, or at least the mercantile public, seemed to attach little importance to the subject.

I am alluding to the autumn of 1818; the case was different in the spring of 1819. The fall of prices having then become manifest; the tocsin of alarm, which was sounded by the advocates of the paper system, brought forward in support of it all those who were suffering or expected to suffer from that fall, and who were ready in perfect good faith to attribute to an alteration in the currency what was the consequence of their own miscalculations of probable supplies. In truth, what need of resorting to the supposed agency of an occult and disputed cause, when there existed one plain, palpable, and irresistible, as relating to the commodities which experienced soon after that time the most decided fall, viz. a great and overwhelming increase of quantity. Take the following among several other instances:

IMPORTS INTO GREAT BRITAIN.

| | Silk. | Wool. | Cotton. |
|---|---|---|---|
| 1816.... | lb. 1,137,922.... | lb. 8,117,864.... | bales 370,000 |
| 1817.... | — 1,177,698.... | — 14,715,843.... | — 477,160 |
| 1818.... | — 2,101,618.... | — 26,405,486.... | — 665,300 |

| | Hemp. | Tallow. | Linseed. |
|---|---|---|---|
| 1816..... | tons 18,473..... | tons 20,855..... | qrs. 70,892 |
| 1817..... | — 22,863..... | — 19,193..... | — 162,759 |
| 1818..... | — 33,020..... | — 27,011..... | — 237,141 |

Now can any body, acquainted with the course of markets, hesitate for a moment to pronounce what must be the effect of such an excess of supply?

and indeed what can be more legitimate or simple than the inference, that if the scantiness of the supply in 1816 and 1817 was a sufficient ground for a considerable advance, the restoration of abundance would fully account for the fall? It is well known, however, that the resistance to a change, whether from a low to a high, or from a high to a low range of prices, is at first very considerable, and that there is generally a pause of greater or less duration before the turn becomes manifest: in the interval, while sales are difficult or impracticable, unless at a difference in price, which the buyer, in the one case, and the seller, in the other, are not yet prepared to submit to, the quotations are regulated by the last transactions, but are said to be, and are in fact, nominal. A struggle of this kind prevailed more or less, according as the articles were in greater or less abundance, through the autumn, and into the winter of 1818—1819, when many articles which had become unsaleable from excess were still quoted at nearly as high prices as they had attained in 1818.* I mention

* As it was not until the spring of 1819 that the contraction of the currency was really felt, prices, from the first feeling of difficulty in obtaining money accommodations, would remain nominal, when fully felt by the public, they would fall, and Mr. Tooke says they did fall in the spring of 1819. It is necessary here again to refer to the actual state of the issues of the Bank. From the account just quoted, we find that

this, in order to point out the disingenuousness or ignorance which has induced some of the opponents

the amount of notes of the Bank of England in circulation in 1818 was as follows:

| | | Decrease. |
|---|---|---|
| February 28, 1818 ..... | £27,770,970 | |
| May 30, 1818 ..... | 26,745,010 ..... | 1,025,960 |
| August 29, 1818 ..... | 26,450,610 ..... | 294,400 |
| November 28, 1818.... | 26,250,220 ..... | 170,390 |
| February 27, 1819 .... | 25,126,690 ..... | 1,153,530 |
| Being a reduction in twelve months, of ..... | | 2,644,280 |

Now the effect of this contraction of the issues of the Bank was in some degree counteracted by the large issues of gold made by the Bank in 1818, in payment of notes dated previous to the 1st January, 1817. But from the state of the foreign exchanges, the coin could not add much to the excess of the circulation, there being a considerable profit on its exportation, so that towards the end of 1818 and beginning of 1819, there appears to have been a reduction of a million and a quarter of the issues of the Bank, and co-existent with this contraction we had a general fall of prices, both of home and imported commodities. Mr. Tooke says, that the fall in prices arose from abundance; in my view of the case, the fall was consequent on the contraction of the currency, and the interruption of buying and selling attending it, and the abundance was merely *relative* to the diminutive amount of currency. If upon a contraction of the currency of 40 or 50 per cent, individuals, sellers, would immediately submit to the reduction in price, consumption would be in the ratio of supply and demand, and not appear excessive. But we know that this is not the case; and the reluctance of the holders of commodities to take the diminished price, from the diminished currency, checks

of Mr. Peel's bill to bring forward price currents of February, 1819 (being the time when the Committees of Inquiry into the state of the currency were appointed), for the purpose of contrasting the quotations of that date with those of the present time.* But leaving such reasonings and such proofs to the fate they deserve, I have to remark, that the process by which private paper and transactions on credit are diminished, came once more into operation at the close of 1818 and beginning of 1819. The most extensive failures commenced in the cotton trade, being that in which the excess was first and most decidedly felt, and which was on the largest scale in point of amount. Importers,

the transfer of produce from the producers to the consumers; and with accompanying diminished consumption, during this struggle, we have the appearance of general abundance. If the scarcity of the currency is prolonged, the appearance of general abundance will accompany it. The facts adduced by Mr. Tooke will really confirm this view of the case; as a rise in prices took place towards the end of 1822, either low prices had increased consumption and diminished the appearance of abundance, or the currency had attained its bullion value, and the rise in prices reduced the supply and demand to *their* proper proportion.

* I cannot conceive a more legitimate use of facts, than to contrast the prices of February, 1819, before the operation of Mr. Peel's bill, with prices in 1821 or 1822, when its effects are fully evident. It was not Mr. Peel's bill, abstractedly speaking, that produced the low and ruinous range of prices; it was the mismanagement of those who had to carry it into effect.

speculators, and manufacturers, were successively ruined by having embarked too largely, upon the anticipation of the maintenance of the former high range of prices. Similar disasters followed in several other branches of trade; and these reverses, and the consequent distress, were not confined to this country; indeed it may be of importance to observe, that extensive failures at Paris, Amsterdam, and Hamburgh, and other places on the continent, in several instances, preceded the disasters which were felt here. The fall in agricultural produce was more slow than in 1815 and 1816, as it was from a lower range, and consequently the failure in country banks were not so sudden and extensive, nor the contraction of their notes so immediate; but still the tendency to a diminution of their issues must have been felt early in 1819.* At the same time that there was so decided a reduction of private paper and credit going forward, as the consequence of renewed abundance of native and imported articles, there were considerable failures connected with a recoil from overtrading in shipments to the East and West Indies, and to the United States. This

* In 1815 and 1816 the destruction of the country paper amounted, as already stated, to about 37 per cent. In 1819, 1820, and 1821, it amounted to 75 per cent, and in 1819 and 1820 to 47 per cent, so that in both cases the effects were precisely similar, and in my opinion arising from the same cause, viz. a sudden contraction in the amount of the circulating medium.

re-action was naturally felt in all the branches of manufacture connected with the articles which had been the objects of speculative import. And here again was a very adequate cause for a great reduction of paper, and of transactions on credit.

"There was, thus, a combination of all the circumstances requisite to diminish that part of the circulating medium which does not consist of Bank of England notes and coin;" (Why this exception? For the diminution of credit can only mean, the want of power to get bills discounted, which is equivalent to a reduction in the amount of coin, or of Bank notes;) "and to increase the functions of the remaining part by the diminished occurrence of purchases and sales on credit, without the intervention of paper. And the fact corresponds with what, from previous reasonings, it ought to be; for there is no doubt of a very great reduction having taken place since 1818, in the aggregate of private paper, and transactions on credit. The continuance of the same circumstances, viz. the abundance of supply, precluding any exercise to the spirit of speculation, and the absence of any new inducement for overtrading on an extensive scale,* fully account for the confinement of

* Mr. Tooke has a theory as to the cause of speculation and overtrading, that does not seem to me to be correct. He says, "the circumstances which give rise to a spirit of speculation and overtrading are scarcity, or, in other words, deficiency of the supply of some important articles compared with the

credit to the accustomed channels of trade; credit

average consumption, and the opening of new and extensive markets, or, in general, of any new sources of demand."

Mr. Tooke further adds, "that agricultural produce, which forms by far the largest portion, as well as the most valuable class of commodities, and which, as it includes the subsistence of the labourer, and supplies the raw materials of some manufactures, affects the value of many other commodities, is that of which any casual scarcity most powerfully contributes to a temporary increase of the circulation of private paper." P. 87 and 88. Let us examine this argument in relation to a defective harvest, and see if it will bear out Mr. Tooke's theory; and that we may more clearly state the case, let it be supposed that the state of society is that of barter. A defective harvest would alter the relative value of corn to hats, coats, &c. &c. If before the defective harvest, a quarter of wheat exchanged for three hats, or three coats; the value of wheat to hats and coats would be as 1 to 3. A deficient harvest ensues; and the quarter of wheat will command four coats or four hats, because it is the wheat alone that has altered in quantity; and it is that alteration in quantity with the same extent of disposition to consumption, that enables the holder of wheat to get four hats or four coats in exchange.

This state of things is essentially necessary for the distribution of the diminished quantity of corn among the same extent of population. Wheat, therefore, being in scarcity, rises in value compared with other things; but this circumstance alone will operate to prevent either the hatter or the tailor investing their stock of hats and coats on speculation in wheat. The object of both is subsistence, and at as small a sacrifice as possible.

There, therefore, could be no motive for speculation in corn, from a defective harvest, beyond that necessary for its distribution according to its altered quantity, in a state of society where barter was the medium of exchange. The circumstances

in those channels being necessary for the proper

of the case will not be altered, if we admit of the introduction of coined money into society. The quantity of coined money that a country possesses, or can possibly possess, must depend on the same circumstances, according to which it possesses any other commodity—the rate of profit on its production. From the small bulk and great value of the precious metals, their distribution is rapidly effected, and their value in all countries as nearly as possible on a level, and accurately proportioned to the wants of the community. A defective harvest occurring under such circumstances would cause a rise in the money price of wheat. If the proportion of money and wheat was as three sovereigns for the quarter, three coats or three hats for the quarter, or for three sovereigns, we would say that wheat was to sovereigns as 1 to 3; to coats and hats as 1 to 3. Now, suppose a defective harvest alters the proportion of wheat to money, so that the quarter of wheat commands four sovereigns; the quarter of wheat will also command four coats or four hats. There is no difference, therefore, in the situation of the possessors of money, hats, and coats; they are all equally incapacitated from speculating in wheat, because each has to pay 25 per cent more of his money or his commodities for subsistence.

If we admit a free trade in corn, a defective harvest would, by lowering the value of our money in relation to corn, cause its exportation. Two effects would follow; the exportation of the coin would prevent the same extent of rise in the price of corn, as if the money had staid at home; and importations in return for the coin exported would also check the rise in prices. But the possessor of coats and hats is in the identical situation of the holder of money. There is a diminished demand for coats and hats, as well as money, from the high price of food, and the coats and hats may be exported as well as the money. But as all classes of the community are in the same situation, there is no motive, or even means, for speculation and overtrading.

If we advance one step further in the argument, and sup-

distribution of commodities from the producers

pose that paper money, convertible into coin on demand, is introduced into the community; and that the power of convertibility is so strict a check upon the issuers of paper, that the coin and the paper, at any one time, would never be greater in amount than if the whole currency were metallic,—a defective harvest, occurring under such circumstances, would not have any other effect than when the currency was entirely metallic. The possessors of capital, or commodities, and currency, would be in precisely the same relative situation. There is not only an absence of the motives of speculation and overtrading, but there is positively less power to do either, from the high relative price of corn, which is equivalent to a diminished power of accumulating capital.

The case, however, will be materially altered, if we admit into the community a class of persons possessed of the power of adding to the capital of the whole community, without that capital being the result of a capital previously employed in production; such as paper money, and the extended and extending credit that accompanies it. It is unnecessary here to enter into the question of what portions of currency and credit form capital. Every man must feel, from the facility of obtaining credit, from an enlargement of the currency, how much his powers of speculating are increased. The rise of prices that accompany an undue increase to the amount of the currency must be general; and it is the operation of this principle that makes the speculations of Lancashire and Glasgow keep pace with those in London. For example, when, in 1824, the Bank of England increased the London circulation 8 per cent above 1823, the circulations of Lancashire and Glasgow would immediately follow, for the high prices of London would induce the manufacturers of Glasgow and Lancashire to send their goods there; and drawing for the amount, the very discounting of the bills gives that increase to the currency that will immediately bring it to the level of London. It is this

and importers to the consumers. † In this state of

increase to the currency that generates speculation and overtrading; and from the principle explained, that overtrading must become general, it can never be local, or confined to one class or portion of the community. It does not take place because commodities are scarce, but because money is abundant, and increased in an undue proportion by other than the means by which commodities are produced.

If this reasoning be correct, it negatives the idea that general speculation and overtrading are a necessary consequence of scarcity; and leads to the opposite conclusion, that abundance, rather than scarcity, supposing the amount of currency the same, is the time when speculations, from the investments of real capital, will be made; that is, when the prices of commodities are so low as to be near the cost of their production. Now this is precisely the state of the money market, or of the holders of money, who, when their commodity is abundant, begin to speculate on the means of lending it. There can be no real difference between the producer of money, and the producer of corn. If money were scarce, it will be admitted that there would be no speculation and overtrading in money; and why should there be speculation and overtrading in corn—an essential of life, because it is dear, when subsistence can only be obtained by the sacrifice of those means that may purchase other enjoyments, or go towards accumulation. That a scarcity of corn should raise its price, is not only natural, but it is necessary for the distribution of the article in proportion to the wants of the community, so that it may be eked out for the support of the population. Individuals will invest capital in such a speculation, and they may be fortunate; others may exceed the bounds of prudence, and be ruined; but here, as in every other case, the *degree* or extent of the speculation will depend on the facility and extent of credit that can be obtained; if so, the principle of speculation, ending in general overtrading, has its origin in the state of the currency, and might

things, there is less competition of borrowers, and consequently a reduction of the rate of interest;

be produced at any time, and in any state of the supply and demand for commodities. In confirmation of this opinion, I have only to refer the reader to the state of the currency in 1820, 1821, and 1822, when there was no speculation that attracted public attention; when the bullion value of the currency was so high as not to generate that spirit; and to 1824 and 1825, when we had an addition to the currency that gave such a fearful latitude to the energy of speculation and over-trading.

† This principle, as expounded by Mr. Tooke, seems to me to be inconsistent with fact and with sound reasoning. If general or universal abundance could ever suddenly (that is in one or two years, to give Mr. Tooke the whole advantage of his argument) be produced, disconnected with, and independent of, the amount of currency, why should it affect public credit, or lead to a destruction of the amount of paper and credit arising from such abundance? If the abundance was the production of previously employed capital—the currency remaining the same, prices would certainly fall; but the whole extent of the evil would be a reduction in the rate of profit upon the capital so employed. To suppose, therefore, that abundance should cause a reduction of paper and transactions on credit, is supposing that capitalists, carried on production until they made a sacrifice of all profit, and of capitals to that extent, that was really injurious to their public credit. But it is not only unnatural to suppose such a state of things, but it is at variance with all experience and principle to suppose its existence to be general. The extent of the speculations in question, therefore, must have depended upon the extent of credit to be obtained from an increase of the circulating medium; and its destruction, upon the diminution of such accommodations, by the reduction in the amount of the currency.

the reduced rate of interest again tending to diminish the cost of production, and thus being a fresh element of cheapness. It is perfectly clear, therefore, that by the conjoint operation of these causes, the restoration of the value of the currency was inevitable, unless, indeed, which was hardly probable, an overwhelming and unprecedented increase in its issues were purposely resorted to by the Bank of England. To prove that these causes were amply sufficient to occasion a restoration of the value of the circulation, without any contraction of the basis of the currency, it is only necessary to refer to the declaration of the Governor of the Bank, who stated, in a Court of Proprietors, on the 21st of March, 1822, that "if the Bank had erred, it was not on the side of a reduction of the circulating medium; for, upon looking at the amount of their issues, he found that on the 9th of March, 1822, their issues exceeded, by the sum of 3,859,000*l.*, those of the same date in the preceding year (9th of March, 1821), and that the latter exceeded the issues of the 9th of March, 1820, by the sum of 3,440,000*l.* It was, therefore, quite clear, that the repayment of the government debt, called for in July, 1819, did not induce the Bank to diminish their issues; for they had been increasing them in the years which had since followed."

In answer to a question from a proprietor, the Governor added, "that the account of issues from

which he had quoted, of course included the sovereigns issued by the Bank." *

* I have found it impossible to reconcile the statement made by the Governor of the Bank in March, 1822, with any documents presented by the Bank to Parliament; and the following statement exhibits a very different result:

| | |
|---|---|
| The average amount of Bank of England notes in March, 1820, by Parliamentary Paper, No. 21, was 22,646,487*l.*, of which there were notes under 5*l.* amounting to ..... | £6,597,970 |
| The average in 1821, by Parliamentary Paper, No. 672, was 23,436,015*l.*, of which there were notes under 5*l.* of ..... | 6,549,755 |
| So that the increase in 1821 above 1820, is only 789,528*l.*, in place of 3,440,000*l.*, as stated by the Governor of the Bank. Now it was not until May, 1821, that the Bank had the *option* of issuing gold; so that we may presume, by March, 1821, she had not added the difference between 789,528*l.* and 3,440,000*l.* to the circulation in sovereigns. | |
| In 1822, according to Parliamentary Paper, No. 319, the average circulation of the Bank in March was 17,778,287*l.*, of which were notes under 5*l.* ..... | 1,300,370 |
| Making a reduction of 1*l.* and 2*l.* notes from 1821, of ..... | 5,249,385 |
| Which if added to the ..... | 17,778,257 |
| Will make the aggregate of notes and coin, the latter being a substitute for the notes of 1*l.* and 2*l.* of ..... | 23,027,642 |
| Which is less than the amount of 1821, by .. | 408,443 |
| Though greater than in 1820, by ..... | 381,085 |

And an ex-Bank Director has made a declaration to a similar effect in print: "With regard

By this analysis of the issues of the Bank from the returns made to Parliament, there does not seem ground for supposing that there had been an increase of issues, comparing the 9th March, 1821, with the 9th March, 1820, of a sum of 3,440,000*l.*; for previous to May, 1821, the Bank had not even the *option* to issue coin, until authorized by the bill passed in the session of 1821, to give her the option of issuing coin, instead of 1822, as fixed by Mr. Peel's bill.

With regard to the comparison between the 9th March, 1822, and the 9th March, 1821, of an increase of 3,859,000*l.* it may be correct, by supposing, that the Bank had made issues of coin beyond the amount of 1*l.* and 2*l.* notes. The amount of 1*l.* and 2*l.* notes in circulation in

| | |
|---|---|
| March 1820, was ..... | £6,597,970 |
| In March, 1822 ..... | 670,632 |
| Withdrawn ..... | 5,927,338 |
| Add the circulation 9th March, 1822 ..... | 17,778,287 |
| | 23,705,625 |
| Deduct the issues of 1821..... | 23,436,015 |
| | 269,610 |
| Add issues of coin to make up the excess stated by the Governor in 1822, over 1821 ..... | 3,589,390 |
| | £3,859,000 |

It would have been highly satisfactory had the Governor quoted from documents to which the public have access; an error on a matter of such importance should, if possible, be avoided, as conclusions have been drawn from it that otherwise would not.

to the effect of Mr. Peel's bill on the Bank of England, I can state, from having been in the direction during the last two years, that it has been altogether a dead letter. It has neither accelerated nor retarded the return to cash payments, except as, by ordering the repayment of ten millions of Exchequer bills to the Bank, it enabled it to expend those ten millions in the purchase of bullion without in any way curtailing its other advances. The Directors of the Bank of England, as plain practical men, without turning to the right hand or to the left, as converts to the new doctrines promulgated by the Bullion Committee, and by so doing have already thrown into general circulation, within the last twelve months, more than eight millions of sovereigns, without having diminished, except in the most trifling degree, the usual average of its notes of five pounds and upwards."

"According to these statements, then, the effect of Mr. Peel's bill on the conduct of the Bank was altogether a dead letter; and I firmly believe it to have been so. So strong, indeed, was the tendency of the causes which I have enumerated to improve the value of the currency, the amount of the basis of it remaining the same, that it would have required a great effort on the part of the Bank, avowedly, and of settled purpose, to put itself out of condition to fulfil its engagements. Supposing the Bank Directors to have been ca-

pable of entertaining such a design, which I do not believe, they would hardly have taken the responsibility upon themselves of carrying it into effect without the sanction of the legislature. Not only therefore was Mr. Peel's bill in my opinion wholly inoperative to occasion, or even hasten, the restoration of the value of Bank paper, but it would have required, in order to prevent that restoration, a solemn Act of Parliament for the purpose of debasing the standard." P. 154 to 168.

In the quotation that I have thus made from Mr. Tooke's work, will be found the theory of his principles upon high and low prices, from 1815 to 1823, from which I differ. In 1815 and 1816, as has been already stated, there was a contraction of the general currency of the country, by the Bank of England and country bankers, to the extent of about 18 per cent. The effect on prices, as a consequence, is generally admitted, and may account for that forbearance and prudence in the export of commodities, that Mr. Tooke mentions in the first paragraph I have quoted. There had been great individual losses from the effect on prices; and it is very probable, that whatever exports were made by merchants of capital, from the low price of commodities, was done on very advantageous terms, and may have tempted others to engage in the same speculations; the natural effect of such exportations would unquestionably be to raise prices; but this effect again would be to check exports,

and consequently to stop that "creation of private paper, and the multiplying of transactions on credit," that, Mr. Tooke, in the second paragraph, states, would "have been felt in a general advance of prices in 1817, if there had been no increase whatever in the circulation of the Bank of England." It is of great importance to observe, that the first rise of prices in 1817 (agricultural produce excepted, a part of the rise in which may be accounted for by the defective harvest of 1816) was co-existent with an increase of the general currency of the Bank of England and country bankers to the extent of 13 per cent, besides the gold issued in this year by the Bank of England;* we cannot accurately state the extent of the issues of gold; but it is probable that, with the gold, and the extension of paper, the currency was augmented above that of 1816 about 20 per cent. That a "creation of private paper, and the multiplying of transactions on credit," would follow, not precede, as I think Mr. Tooke erroneously supposes, this addition to the currency, I think, cannot be doubted.

* The Bank coined of gold in 1817 and 1818, 7,137,711*l.* (See account, p. 321, Appendix to the Report of Secrecy, House of Commons, 1819.) The greater proportion of which must have been issued in this and the following years; for the first Report of the Committee of Secrecy, in 1819, recommended the expediency of passing a bill, restraining "all payment in gold coin until the Report shall have been received."

I am of opinion, that if the currency in 1817 had been maintained on the same level as in 1816, we should have had no such augmentation in general prices as Mr. Tooke supposes (excepting agricultural produce from the deficient harvest of 1816) would have taken place, even "if there had been no increase whatever in the circulation of the Bank of England." General prices cannot rise, unless the medium in which commodities are valued is altered; here we have an increase to the currency of about 20 per cent, and prices rise accordingly. The facility of obtaining credit, under such circumstances, gives rise to speculations; as they proceed, the demand for currency is daily augmented, and prices may for a time, from speculation, very considerably exceed the actual increase of money.

Mr. Tooke admits, that the increase to the currency in the first six months of 1817, which I have already proved to have been much greater than he supposed, was excessive; and censures the imprudence of the Bank for a further extension of two millions in the last six months of the year. "Such an enlargement of the basis of the currency," Mr. Tooke observes, "co-operating with the causes favouring the extension of country bank notes, and private paper generally, *tended certainly to accelerate the rise of prices* of such articles as were in a relative degree of scarcity, and

to promote the spirit of speculation and over-trading."

It appears to me, that Mr. Tooke, in his conclusion, has mistaken an effect for a cause. The rise of prices, according to Mr. Tooke, in the beginning of 1817, was the *effect* of speculations. In my view of the case, it was the increase of the currency that was the *cause*, and speculations followed as an *effect* arising from that cause.

If the currency of the country had been entirely gold, when no rapid increase could be made to its amount, general prices would have remained stationary (excepting agricultural produce, from the bad harvest of 1816); there would have been no undue motives for speculation; but add 5, 10, or 20 per cent to the currency, and we shall at once call into action all the motives for speculation that attend rising prices.

In 1818 we had a further increase to the amount of the currency of about 20 per cent, and prices maintained their high range. To this continued and progressive increase to the currency, I attribute the whole of that spirit of speculation which Mr. Tooke mentions, which, "having been so fully excited, did not immediately subside with the cessation of the original impulse." To Mr. Tooke's reasoning on the state of the harvest in 1818, I do not attach much importance; as any speculation in agricultural produce must, sooner or later, yield to the general

principles of a sound currency; in the present case prices did not so yield, until there was a very considerable contraction of the currency, and then prices and speculation found their level in the country. It is of the greatest importance to observe the coincidence between the contraction of the currency, the fall of prices, and the termination to the spirit of speculation; they are in constant and uniform keeping with each other.

In 1819 the average issues of the Bank of England were reduced, comparing the first with the last month about 16 per cent, and the circulation of the country notes 15 per cent, making the general contraction about 15 per cent. Now, let any one for a moment imagine, what would be the state of a country that lost nearly one-seventh of its currency in twelve months! There could no surprise exist that prices fell; no one would think of tracing the low prices to abundance; more particularly, as in 1817 agricultural prices rose, from scarcity, above 100 per cent. Yet this is the doctrine which Mr. Tooke maintains. I think, if Mr. Tooke had been aware that so great a contraction of the currency had taken place, he would have modified his statement in page 160.

With regard to the abundance of commodities in the market in 1819, I think it possible to give a reasonable explanation of it. The imports of silk, wool, cotton, hemp, tallow, and linseed, in 1816, 1817, and 1818, nearly doubled their

amount in 1818, compared with 1816. Now, in 1815 and 1816 the great contraction of our currency, and the general derangement of commercial transactions arising therefrom, would necessarily check the importation of these articles from the low prices in our market; but when the currency was augmented in 1817 and in 1818, and prices rose, foreign countries would avail themselves of these prices, and throw their whole accumulated stock upon the market. But if our currency had remained in 1819 as in 1818, I do not see that prices would have fallen to the extent they did from that abundance alone. It is one of the evils attending an extended paper currency, even though payable in gold on demand, that its contraction may, from peculiar circumstances, be very sudden, and attended with a complete derangement of the common transaction of buying and selling; this derangement is not only internal, but must likewise affect all external, or foreign commerce. No man likes to buy while prices are falling; and for the same reason, no man can sell. Mr. Tooke has very accurately described the sort of resistance to a change, whether from a low to high, or from high to low prices, and the difficulty or impracticability of effecting sales, unless at a difference in price, which the buyer in the one case, and the seller in the other, are not yet prepared to submit to. During this struggle, all articles, excepting those for immediate consumption, are nearly unsaleable: that is, during a progressive contraction

of the currency, and a consequent augmentation in its value, the power of exchanging commodities for currency, as well as the disposition, from falling prices, is diminished; and with these causes operating, a diminished consumption ensues, and suddenly there appears a *relative* abundance of commodities, in *relation* to *currency*. Now, in the latter end of 1815 and 1816, these causes were operating. But in 1817 and 1818, we had a very decided increase to the amount of our currency, and a consequent rise in prices. Internal commerce was revived, and, with it, foreign commerce, from the rise in prices, was prodigiously increased; and it could be increased, from the stock remaining on hand, from the fall of prices, the diminished consumption, and the reluctance to submit to the sacrifice, in the preceding years of 1815 and 1816.

In 1819 we have another state of things. Mr. Tooke observes, "that the process by which private paper and transactions on credit are diminished, came once more into operation. At the close of 1818 and beginning of 1819;* the most extensive failures commenced in the cotton trade, being

* The process by which transactions on credit are diminished—that is, the power of obtaining money by the discount of bills, can only mean the refusal of the possessors of money to discount bills; so that the process of reduction resolves itself into a question of currency entirely; it is the want of power to obtain money, that checks the creation of private paper, because, accompanying the diminution of money, there is a

that in which the excess was first most decidedly felt, and which was on the largest scale in point of amount.* Importers, speculators, and manufac-

corresponding check given to the transfer of commodities, prices fall, and the creation of private paper ceases.

* As I conceive it of the greatest importance to attend most accurately to facts, in any matter relating to prices and currency, I think it proper to notice, from Mr. Tooke's table, the imports in 1816, 1817, and 1818, the proportion of the imports in 1816, compared with 1817 and 1818, p. 162.

| | | Imports. | | Per Cent. |
|---|---|---|---|---|
| 1816, Silk..... | lb. | 1,137,922 | | |
| 1817, Ditto ..... | lb. | 1,177,693 | Increase | 3½ |
| 1816, Wool ..... | lb. | 8,117,864 | | |
| 1817, Ditto ..... | lb. | 14,715,843 | Increase | 81$\frac{7}{10}$ |
| 1816, Cotton ..... | bales | 370,000 | | |
| 1817, Ditto ..... | bales | 477,160 | Increase | 28$\frac{9}{10}$ |
| 1816, Hemp ..... | tons | 18,473 | | |
| 1817, Ditto ..... | tons | 22,863 | Increase | 23$\frac{7}{10}$ |
| 1816, Tallow ..... | tons | 20,835 | | |
| 1817, Ditto ..... | tons | 19,193 | Decrease | 7·88 |
| 1816, Linseed ..... | qrs. | 70,892 | | |
| 1817, Ditto ..... | qrs. | 162,759 | Increase | 129½ |
| 1817, Silk ..... | lb. | 1,177,693 | | |
| 1818, Ditto ..... | lb. | 2,101,618 | Increase | 78·4 |
| 1817, Wool ..... | lb. | 14,715,843 | | |
| 1818, Ditto ..... | lb. | 26,405,486 | Increase | 79·4 |
| 1817, Cotton ..... | bales | 477,160 | | |
| 1818, Ditto ..... | bales | 655,300 | Increase | 37·3 |
| 1817, Hemp ..... | tons | 22,863 | | |
| 1818, Ditto ..... | tons | 33,020 | Increase | 44·4 |
| 1817, Tallow ..... | tons | 19,193 | | |
| 1818, Ditto ..... | tons | 27,011 | Increase | 40·7 |
| 1817, Linseed ..... | qrs. | 162,759 | | |
| 1818, Ditto ..... | qrs. | 237,141 | Increase | 45·7 |

In this analysis of Mr. Tooke's table of imports, it would ap-

turers, were successively ruined by having embarked too largely upon the anticipation of the maintenance of the former range of prices. Similar disasters followed in several other branches of trade; and these reverses, and the consequent distress, were not confined to this country: indeed, it may be of importance to observe, that extensive failures at Paris, Amsterdam, and Hamburgh, and other places on the continent, in several instances preceded the disasters which were felt here."

Now, Mr. Tooke reasons that it was the abundance of imports, that led to the disasters he here mentions; but if the amount of the currency had remained the same in 1819 as in 1818, I contend that no such fall in prices would have occurred. In 1817, imports were decidedly increased above those of 1816, and prices continued to rise. If Mr. Tooke's reasoning were correct, prices ought to have fallen, when, in five out of the six articles he mentions, the increase on an average was above 40 per cent, the tendency of

pear, that with the exception of tallow, the imports of cotton were the least in point of quantity. It appears to me, that Mr. Tooke, in the whole of his work, has not given sufficient attention to the actual amount of the currency, and its effect upon prices. The chief object in analyzing this table of imports is to show the rate of increase during a period of the progressive extension of the currency; confirming the view which I have taken of the subject—that such increase of imports was a *consequence* of that increase in the amount of the currency.

prices ought to have been downward; but Mr. Tooke states, "that through the autumn of 1818, and into the winter of 1818 and 1819, when many articles unsaleable from excess, were still quoted at nearly as high prices as they had attained in any time in 1818."

Now, what were the facts of the case as to the state of the currency in the period in question? In 1819 we had a progressive diminution of the issues of the Bank, so that, comparing January with June, the issues were diminished 10 per cent; and comparing January with December, they were diminished $15\frac{8}{10}$ per cent. The circulation of country bankers was diminished in 1819 about 15 per cent compared with 1818, making about 15 per cent in the whole. Surely such a diminution of the currency should not have escaped Mr. Tooke's attention; had he observed it to its full extent, I am sure, from his known candour, he would have given it its due influence upon prices, and not have attributed the whole to excessive abundance; an abundance, by the bye, so sudden as should have startled him as to the probable cause of its existence. That it was an abundance *relative* to a diminished currency, I think will be admitted; but which would not have been so apparent, if at all, had the amount of the currency remained throughout 1819 as it was in 1818. On the contrary, from the probable exhaustion of accumulated

stocks, and the consequent diminution of supplies, prices would have risen, or have maintained their former level.

I cannot, therefore, agree with Mr. Tooke, that the continuance of the same circumstances, viz. abundance, or, at least, adequateness of supply, should preclude any exercise of the spirit of speculation on an extensive scale. On the contrary, I would maintain, that if the spirit of speculation was to be roused, it would be when prices are low, not high. If the question was reasoned in relation to a currency entirely metallic, which could neither be suddenly increased nor contracted, and low prices from abundance existed—increased consumption or increased exports would be the natural mode of relief, and the transactions on credit would rather be increased than diminished. But the case becomes completely altered if the currency is diminished 15 per cent, and commodities remain the same, or increased. Before the contraction of the currency, every man's credit, if I may be allowed the expression, was at *par*, or 100; after the contraction, and before he could be prepared for its effects, it is reduced to 85. The consequences must be, (for every man is supposed to trade to the extent of his capital and credit,) embarrassment, bankruptcy, and ruin; and Mr. Tooke, though from a different mode of reasoning, admits that such were the consequences in 1819. In further confirmation of the view I have taken

of the cause of speculation and overtrading, depending entirely on the relative abundance of the currency, I have only to refer to the recent and present state of the commercial and trading community.

## CHAPTER VIII.

On the effects produced by Mr. Peel's bill, as connected with the principle of speculation and overtrading.

IN the preceding chapter, I have endeavoured to show, that the peculiar state of the markets, as to supply and demand, and prices, was a state of things produced by alterations in the amount of the currency; that these alterations were of sufficient magnitude to derange the ordinary state of commercial credit, and led to a fall of prices, producing the most distressing results throughout the country.

To this opinion, there is opposed that of Mr. Tooke, who attributes the fall of prices, and destruction of public and private credit, to the excessive abundance of all commodities in the market, excepting that fall, that would accompany the rise in the value of the currency, by the fall of gold to its mint price. Mr. Tooke has endeavoured to strengthen his view of the case by quoting the speech of the Governor of the Bank.

Unless that speech could prove, that from the beginning of 1819 there had been no diminution of the issues of the Bank, which it does not prove, it cannot possibly support Mr. Tooke's view of the

case. His quotation from Mr. Turner's work is equally unsatisfactory, because, if it proves any thing, it proves a contraction of the currency. Mr. Turner states, that " with regard to the effect of Mr. Peel's bill on the Bank of England, I can state, from having been in the direction during the last two years, that it has been altogether a dead letter. It has neither accelerated nor retarded the return to cash payments, *except as,* by *ordering the repayment of ten million of Exchequer bills to the Bank,* it enabled it to expend those ten millions in the purchase of bullion, without in any way curtailing its other advances."*

Now the question at issue is not, what the Bank in relation to its usual advances to the public did; the question is, was the currency contracted as a consequence of the passing of Mr. Peel's bill. Mr. Turner satisfactorily answers the question. The repayment of ten millions of Exchequer bills to the Bank was the consequence of that measure. Now, let any one reflect for a moment, who is acquainted with the principles of currency, what must necessarily be the effect of the Government

* Mr. Turner states, that the repayment of ten millions of Exchequer bills by the Government to the Bank enabled the latter to purchase ten millions of gold. But I shall have occasion to state that the Bank purchased about twenty millions of gold in 1820, 1821, 1822, and 1823. Now, what I contend for is, that the Bank could not have issued ten additional millions of paper, in the purchase of gold, but for the destruction

collecting out of the circulation of London, the sum of ten millions of Bank of England notes, and paying them into the Bank for Exchequer bills. Let it be admitted, that the payments to

of the country circulation, following the first and great contraction of the issues of the Bank in 1819.*

| | |
|---|---|
| The country circulation in 1819 was reduced below that of 1818 | £3,140,125 |
| In 1820, it was reduced below that of 1819 | 5,590,000 |
| In 1821, it was reduced below that of 1820 | 3,353,080 |
| And in 1822, it was reduced below that of 1821 | 347,013 |
| | 12,430,218 |
| Add to this the repayment of Exchequer bills to the Bank | 10,000,000 |
| | 22,430,218 |
| In 1818, however, the country circulation was in excess, and let it be supposed that it was so, to the whole extent of the contraction in 1819, amounting, as above, to | 3,126,700 |
| Giving the Bank the power of issuing | 19,303,518 |

of notes in the purchase of gold, which agrees very nearly with the actual amount purchased. The object of this statement is to show, that the Bank could not have issued more for gold than the repayment by the Government, had it not been for the void made in the general currency by the extensive contraction of the country circulation in these years. This statement, I think, is calculated to throw much light upon the state of prices throughout the years in question, and further confirm my general reasoning as to their true cause. It tends to prove how completely the Bank of England has the power over the country circulation.

the Bank were gradual, say one million monthly, which was the understanding between the Bank and Government, still the effect upon the circulation, credit, and general confidence, must have been prodigious. The contraction would proceed until the exchanges were raised, and gold imported. It is during this interval that the mischief is done. The whole fabric of commercial credit is shaken to its basis. It commences in London, and, like an electric fluid, it is felt at the remotest corners of the land. When the Bank purchased gold with her paper, and not till then, the circulation would begin to be extended. The scarcity of money operates upon every man's credit—creating a want of confidence—producing a disposition to borrow, but a stronger one not to lend; thus, in fact, rendering the currency more scarce and valuable; every one who has the means reserving them for his own wants. That such were the consequences that followed the repayment of the ten millions of Exchequer bills cannot be doubted. Indeed, if such consequences had not followed, it would have been clearly impossible for the Bank to have issued ten millions of paper in exchange for gold. If the currency had not been forced considerably above par, by the destruction of the country circulation, following the contraction of the issues of the Bank, it would have been impossible that the latter should have issued so much paper in exchange for gold. The attempt would have been met by a fall

in the exchanges, and a check to the importation of bullion. To admit that the ten millions could have been so issued for bullion, admitting that there was no other abstraction from the general amount of the currency, would be to admit that the same amount of paper, by the Bank, could have been kept in circulation, as in May 1818, with the exchanges above par, and gold at its Mint price. For the argument supposes, that the paper is issued, and the gold deposited in the coffers of the Bank.

It was the operation of the same cause that enabled the Bank, in the years 1820, 1821, 1822, and 1823, to amass a treasure in gold and silver much greater than she perhaps ever possessed at one time. It has been estimated at from ten to fifteen millions sterling, and this, independent of her issues of sovereigns to replace the 1*l.* and 2*l.* notes.

If the destruction of the country circulation, to the enormous extent that it has been stated, had not taken place, it would have been impossible, upon any of the known principles of currency, for the Bank to have issued so much paper in exchange for bullion. In the first place, the currency must have been above par, that is, to say, all the foreign exchanges must have been favourable to England, otherwise gold would not have been imported, and so much above par, that the whole issues of the Bank in exchange for gold did not turn the ex-

changes against us. It was not until July, 1824, that the exchanges became unfavourable to England, and the exportation of gold began. Silver rose from 4*s*. 11$\frac{1}{2}$*d*. to 5*s*. 0$\frac{1}{2}$*d*. per oz., being a rise of 1$\frac{6}{10}\frac{8}{0}$ per cent.

I cannot, therefore, agree with the Governor of the Bank, with Mr. Turner, nor with Mr. Tooke, that Mr. Peel's bill was a dead letter. Mr. Peel's bill was to restore Bank notes to their metallic value. The object of his bill was obtained; and therefore it cannot be considered as a dead letter. Measures had been taken by the Government and the Bank, as early as May, 1818, to restore the paper to its metallic value, by the payment of five millions of Exchequer bills to the Bank. In my opinion, the effect of withdrawing half that amount from the currency would have produced the desired effect, had the repayment of the Exchequer bills not been entirely counteracted by the issue of sovereigns by the Bank in exchange for notes issued previous to the 1st January, 1817. In 1817 and 1818 the Bank coined upwards of seven millions of gold, which was purchased, judging by the state of the foreign exchanges, in the latter end of 1816 and beginning of 1817. This treasure must have been nearly expended by the end of 1818,* for a bill was passed early in 1819 to exonerate the Bank

* By the Report of the House of Lords on the Affairs of the Bank in 1819, the gold paid by the Bank amounted to 6,809,000. P. 4 of the Report.

from such payments. The effect, therefore, of repaying five millions of Exchequer bills to the Bank from May, 1818, which, by the Report of the House of Commons on the Affairs of the Bank in 1819, was carried only to the extent of four millions,* was frustrated by the measures of the Bank Directors,† which is to say, that their issues of coin exceeded the repayments to the Bank, and the value of their paper fell, rather than rose, in relation to gold. In April, 1818, before any repayment was made, gold was 4*l.* 1*s.* and silver 5*s.* 4*d.* per oz., the exchange with Paris 24.20; and in December, gold was 4*l.* 1*s.* 6*d.* silver 5*s.* 6*d.* per oz., and the exchange with Paris 23.65. Gold rose 12*s.* 4*d.* per cent, silver 3*l.* 6*s.* per cent, and the Paris exchange fell $1\frac{1}{2}$ per cent.

It is quite clear, therefore, that the principle of Mr. Peel's bill was attempted to be acted upon by the Government in 1818, and its effects frustrated by the measures of the Bank. In 1819 the same

* See Report of the House of Commons, p. 8.

† Besides the issue of coin, Mr. Dorrien, in his evidence before the House of Commons' Committee, stated, that in consequence of the repayment of the four millions in 1818 to the Bank, the Bank had issued the whole, or greater part, in discounts to merchants, the demand for discounts increasing with the payments by government, that is, the rate of interest rose by the contraction of the currency, or in other words, bill brokers not being able to supply the demand for discounts, the bills were carried to the Bank. See p. 31 of the Evidence.

measure is put in practice, and to the same extent, viz. the repayment of five millions more to the Bank, under the sanction of Mr. Peel's bill, and with the desired effect. By the 1st of October, 1819, gold and silver were reduced to their Mint prices, and the exchange with Paris rose to 25.55.

The contraction of the currency, therefore, did not begin until early in 1819, and it is admitted by Mr. Tooke, that the fall of prices was not apparent until "the winter of 1818 and 1819, when many articles which had become unsaleable from excess, were quoted at nearly as high prices as they had attained at any time in 1818."

Mr. Tooke, however, believes, that Mr. Peel's bill had, in the hands of the Directors of the Bank, been altogether a dead letter; that is, that it produced no effect whatever upon prices, excepting the fall of the market to the Mint price of gold. Another, and a large portion of the community, view Mr. Peel's bill as a sort of Pandora's box, out of which issued all manner of evils. That the mode of carrying into effect the object of Mr. Peel's bill produced incalculable mischief, I am willing to allow; but the principle of the bill, and the manner in which it was made to operate, are distinct things; and ought to be separated. The first was the measure of the legislature, the second was left to the experience and practical knowledge of the Bank. The great mistake that appeared to me to have been made, was the amount of the pay-

ments made by the Government to the Bank. One million was to be extracted from the circulation of London monthly. Now the whole issues of the Bank in the first three months of 1819, were rather under twenty millions. One million taken from that amount was nearly 4 per cent, in the second month 4 per cent, in the third and fourth months 4 per cent, and in the fifth month 5 per cent, making in all 20 per cent.* It has been already stated, that about 16 per cent was the diminution of the issues of the Bank, in 1819, comparing the first with the last months of the year. It was this large and progressive diminution of the circulation, the consequent embarrassments in commercial credit in London, spreading throughout the country, and affecting largely the credit and issues of the country bankers; that produced so much ruin and distress. Speculations and speculators failed, because there was no longer the same extent of currency and credit to maintain the prices of 1818.

* I have long been of opinion, that the Directors of the Bank had but an imperfect notion of the effect upon the currency, that would be followed by even a very small contraction of its amount. When Mr. Dorrien was examined before the House of Lords in 1819, he was asked, "What do you mean by a considerable repayment by Government of the advances?

"The circumstance of re-opening must be a question of experiment; and in the first instance, I should think not less than 9,000,000*l.* would be sufficient to make the trial." P. 29, Evidence.

If this question was reasoned in relation to a metallic currency, (from which there could not in the ordinary course of commercial affairs be an abstraction of 4 per cent, that being considerably above the charges of bringing in, or of sending gold out of the country) and if we suppose that 16 per cent was withdrawn from it by hoarding, what other would be the effect upon prices and credit, than that which followed the rapid contraction of the currency in 1819 by the Bank. I must therefore conclude, that neither the Governor of the Bank, Mr. Turner, nor Mr. Tooke, have adverted to the contraction of the currency in the year in question. This omission on the part of Mr. Tooke, I think, invalidates the whole of his reasoning upon prices in 1819, and subsequent years.

The inconveniences that attended the contraction of the currency, particularly the discredit of the country circulation, was prolonged, in my opinion, by the purchases of gold bullion by the Bank. Had the Mint possessed a capital by which she could, upon the first importations of gold after the contraction of the currency, have given on demand, after a delay of twenty-four or forty-eight hours for assaying the bullion, coin for it; it would have come immediately into circulation, and spread itself over the country, particularly where the country paper was discredited, for in such places currency was in demand. It may be

answered to this, that as the Bank issued the same amount of paper which the bullion could be coined into, the effect would be the same. I think otherwise; the Bank of England paper issued in London was not a substitute for the discredited paper of the country bankers. Until May, 1821, gold could not be obtained; and the stagnation of buying and selling, that uniformly accompanies a contraction of the currency, prevented for a considerable period the restoration of that confidence necessary for the currency obtaining one general value throughout the country. We have a case in point with regard to Ireland in 1820. In this year the extensive failure of the country banks created a sudden demand for currency. A number of individuals brought gold bullion to the Mint for coinage. A new regulation was adopted of giving a Mint bill for 75 per cent of any deposit for coinage, payable fourteen days after date. The consequence was, that nearly a million sterling was coined and sent to Ireland in the space of a few months, and assisted materially in diminishing the extensive distress then prevalent over the greater part of the island. This plan would probably have been continued if the Bank had abstained from purchasing gold, but the Bank were desirous to buy all the gold imported; and to induce the importers to carry it to the Bank, it was purchased at the Mint price, without paying the accustomed brokerage of an eighth per cent.

I have no doubt, therefore, that public confidence would have been sooner restored after the great contraction of the currency that followed the passing of Mr. Peel's bill, had the powers of the Mint co-operated to reduce the currency to its Mint value.

## CHAPTER IX.

On the state of the issues of the Bank of England from 1823 to 1825, as connected with its own interests, public credit, and the country circulation.

I SHALL now proceed with the analysis of the state of the currency from 1823 to the present time; and recent occurrences have rendered this an investigation of very great interest and importance.

During the whole of 1823, the foreign exchanges appear, by the table in the Appendix, to have been favourable to this country—that is, the bullion value of the currency of England was rather higher than that of France and Hamburgh. The price of gold was throughout the year at 3*l.* 17*s.* 6*d.* per oz.; * the exchange with Paris from 25.50 to 25.90, with Hamburgh from 37.8, 38.2 to 38.4. In the beginning of 1824 the exchanges began to drop, and by May the Paris exchange was 25.40, and Hamburgh 37.6. The

* The price of gold as quoted *under* the Mint price, is no guide as to the *actual* value of the currency. In July, 1822, the Directors of the Bank came to the resolution of buying gold at 3*l.* 17*s.* 6*d.* per oz. At the same time, the Mint had such a quantity of gold from the Bank to coin, that, waiting *their* turn of importation, the importers could not leave their gold for coinage without making a greater sacrifice by loss of interest, by the delay in coinage, than the 4½*d.* per oz.

three per cent consols, which in May, 1823, were 78, were now raised to the price of 96, being a rise in twelve months of 23 per cent.

I shall now examine what was the state of the issues of the Bank in 1824, compared with 1823, and try and find a solution for this rapid rise in the price of the funds. It must be remembered, also, that it was in the spring or summer of 1824 that the first decided impulse was given to the spirit of speculation, that led to the formation of so many joint stock companies in it, and the spring and summer of last year.

In comparing the issues of different periods of the Bank of England, it is of importance to compare the months of the year we are examining with the same months of the year preceding; by so doing we can perceive the progressive increase or diminution of the currency, and its effects on prices.

The following comparative statement of the issues of the Bank is made from "An Account of the Amount of all the Promissory Notes and Post Bills of the Governor and Company of the Bank of England, in Circulation at the Close of the Business on Saturday in every Week, for Three Years preceding the 6th Day of April, 1825; together with the average Amount, or Value, thereof, according to the said Account, which the Governor and Company of the Bank of England are directed, by the Act 55 Geo. III. chap. 184, to deliver an-

nually on the 1st Day of May, to the Commissioners of Stamps."

In the following table I have compared the monthly issues of 1823, with the same months in 1824, stating the increase per cent monthly, together with the price of consols, first quotation every month, for 1823 and 1824, with the increased rise per cent in 1824 above 1823:

| | Average Amount of Bank of England Notes in Circulation for 1823. | Ditto for 1824. | Increase in 1824 above 1823. | Per Centage of Increase. | Price of Consols 1st of Month, 1823. | Ditto 1824. | Rise in 1824 above 1823. |
|---|---|---|---|---|---|---|---|
| Jan. ... | 19,096,476 | 19,8006,14 | 704,138 | $3\frac{6}{10}$ | 80 | 87 | $8\frac{7}{10}$ |
| Feb. ... | 18,174,771 | 20,067,549 | 1,892,778 | $10\frac{4}{10}$ | $76\frac{1}{2}$ | $90\frac{1}{2}$ | $18\frac{6}{10}$ |
| March.. | 17,339,537 | 19,093,681 | 1,754,144 | $10\frac{1}{10}$ | $73\frac{1}{2}$ | $93\frac{1}{2}$ | $27\frac{6}{10}$ |
| April... | 18,567,423 | 20,647,449 | 2,080,026 | $11\frac{2}{10}$ | $74\frac{3}{8}$ | 95 | $27\frac{7}{10}$ |
| May... | 18,288,297 | 19,926,896 | 1,638,599 | $8\frac{9}{10}$ | $78\frac{1}{4}$ | $96\frac{1}{4}$ | 23 |
| June... | 17,050,414 | 19,141,058 | 2,090,644 | $12\frac{3}{10}$ | $80\frac{3}{4}$ | $94\frac{1}{2}$ | 17 |
| July ... | 19,700,494 | 21,660,973 | 1,960,479 | $9\frac{9}{10}$ | $81\frac{1}{2}$ | $93\frac{1}{4}$ | $14\frac{4}{10}$ |
| Aug.... | 19,743,656 | 20,775,385 | 1,031,729 | $5\frac{2}{10}$ | $81\frac{1}{2}$ | $92\frac{1}{4}$ | $13\frac{1}{10}$ |
| Sept.... | 18,234,629 | 19,177,783 | 942,154 | $5\frac{1}{10}$ | $82\frac{1}{2}$ | $93\frac{3}{4}$ | $13\frac{6}{10}$ |
| Oct. ... | 18,681,589 | 20,355,378 | 1,673,789 | $8\frac{9}{10}$ | $83\frac{1}{4}$ | $95\frac{1}{2}$ | $14\frac{7}{10}$ |
| Nov.... | 20,406,565 | 21,123,241 | 716,676 | $3\frac{5}{10}$ | $83\frac{1}{4}$ | $96\frac{1}{8}$ | $15\frac{4}{10}$ |
| Dec. ... | 17,955,779 | 19,553,771 | 1,597,992 | $8\frac{9}{10}$ | $84\frac{1}{8}$ | 95 | $12\frac{7}{10}$ |
| | 223,239,630 | 241,328,778 | 18,084,148 | 97·9 | | | |
| Average | 18,603,302 | 20,110,314 | 1,507,012 | $8\frac{1}{10}$ | $79\frac{2}{10}$ | $93\frac{5}{16}$ | $17\frac{1}{10}$ |

From this table it appears that throughout the whole of 1824, the issues of the Bank of England were increased above those of 1823 fully 8 per

cent; that the increase was attended with a progressive but large advance in the price of Government securities; so that the three per cent consols, on the average of 1824, rose 17 per cent above the average prices of 1823. The three per cent consols, on the average of 1823, afforded an interest at the rate of *3l.* 15*s.* per cent. In 1824, the rate of interest was reduced to *3l.* 4*s.* per cent.

That the rise in the price of consols was consequent on the increased issues of the Bank, I think there cannot be a doubt; that the rise should exceed the numerical increase of those issues, is what we ought to expect. It is the sudden abundance of money that is the main spring of all gambling transactions in our funds, and in articles of general consumption; and the rise in prices is forced, by speculative buying and selling considerably beyond the actual increase of the currency. It is to this cause alone, and under every circumstance in which, as a nation, we can be placed, that I attribute the whole of the speculations, now and heretofore, that have appeared to begin in prosperity, and to end in the distress and ruin of thousands. Such a state of things seems inseparable from a paper currency, administered as our paper currency has been. Payments in cash on demand, it is clear, is no adequate protection; and though the chances of a failure in commercial credit may, by judicious regulations for the future, as to the state of the currency, be diminished, they cannot, perhaps, be altogether averted. That which can be suddenly increased,

and may be forcibly decreased, can never possess an uniform value; and therefore it is in vain to expect that steady and uniform range of prices that would follow from the application of actual capital to the agriculture, manufactures, and commerce of the country.

The power which the Bank of England appears to possess over the funded property of the country, and, indeed, of all other property, is of such magnitude as to require, and to deserve, the gravest attention of the legislature. They have it in their power, by an extension of their issues, of from one to two millions, in the course of a few months, unknown to the public but from their effects, to raise the price of consols from 20 to 30 per cent; and, by withdrawing them again, cause as serious a fall. This is a power which the combined influence of the King, Lords, and Commons, does not possess; and yet it is delegated to twenty-four individuals in the ordinary walks of life. Let us suppose a very ordinary case in human affairs, that the Directors of the Bank perfectly understood the nature and extent of the power they possess, that they conceived it their duty to the Bank proprietary to become dealers in three per cent consols (they are admitted dealers in Exchequer bills, and, as such, must influence the market, and benefit, or otherwise, the proprietary); they determine on an extension of their issues, say to 5 or 8 per cent, previous to which they become larger holders of consols to account; the issues are made, and the price rises, and they are certain it must

rise, say 20 or 25 per cent. They may now sell progressively, and realize some portion of the above profit on their speculation. The matter may not stop here; for the Bank may, at the high price, sell as much more to the account than they had purchased. They begin to contract their issues by the sale of Exchequer bills, or refusing discounts: and consols are forced down, in the course of a few weeks, to the level at which they were previous to the first extension. The account may then be balanced by new purchases at the reduced price. In such transactions there is no risk of failure to the Bank; they have the exclusive means in their hands to prevent the slightest chance of disappointment.

Such are the powers of the Directors of the Bank of England, and, in some such degree, are the powers of each individual Director.

If the Bank Directors are aware of the principle in question, I believe there is but one general and universal opinion of their conduct—that they have never made use of it. Beyond the buying and selling of Exchequer bills, which in its principle does not materially, if at all, differ from the buying and selling of consols, I have never heard that the Bank were dealers in Government securities; nor am I aware that the transactions in Exchequer bills were ever entered into upon a principle of speculation and profit. It is, nevertheless, most important that the powers of that establishment should be thoroughly known to the public,

I must now, however, recur to the issues of the Bank in 1824 and 1825.

The exchange with Paris, during the progressive increase of 8 per cent in the issues of the Bank, fell just about 1½ per cent. The price of gold remained at *3l. 17s. 6d.* until November, 1824; it then rose to *3l. 17s. 8d.*; and, in December, to *3l. 17s. 9d.*, at which it continued to May, 1825; when it rose to its Mint price of *3l. 17s. 10½d.* per oz.

Let us now examine the state of the country circulation for 1823, 1824, and 1825.

| | |
|---|---|
| I have already stated, that the amount of the country circulation for 1822, was ..... | £8,067,260 |
| There was stamped in the year ending 1823 ..... | 4,657,589 |
| Add one-third of 1821 ..... | 1,329,194 |
| And two-thirds of 1822..... | 2,811,494 |
| | 8,798,277 |

Making an increase of 731,017*l.* and equal to 9 per cent.

| | |
|---|---|
| There was stamped in the year ending 10th of October, 1824 ..... | 6,093,367 |
| Add one-third of 1822 ..... | 1,405,747 |
| And two-thirds of 1823..... | 3,105,058 |
| | 10,604,172 |

Making an increase of 1,805,895*l.* and equal to 20$\frac{5}{16}$ per cent.

There was stamped in the year ending 10th of October, 1825 ..... £8,532,438
Add one-third of 1823 ..... 1,552,529
And two-thirds of 1824..... 4,062,244

14,147,211

Making an increase of 3,543,039*l.* and equal to $33\frac{4}{10}$ per cent.

I have already stated, that the rate of the exchanges in 1823 indicated that the bullion value of our currency was somewhat higher than on the Continent, and continued so for some months in 1824, so that the addition of 9 per cent to the country circulation in 1823 was not felt in the general currency. Besides, the country circulation in 1820, 1821, and 1822, was unexampledly low, and a restoration of confidence may account for the increased issues in 1823. In 1824, however, the Bank added 8 per cent to her issues; and it is followed by an addition of the circulation of country bank notes, of ..... $20\frac{5}{10}$ per cent.
And in 1825, of..... $33\frac{4}{10}$

So that in two years about 21 per cent is added to the general amount of the currency.

It must be admitted, that the means of ascertaining accurately the amount of the circulation of country bankers is by no means precise. It is an approximation to the fact only. We have here an addition to the

country circulation in 1825 above 1824, ending 10th of October, of no less than $33\frac{4}{10}$ per cent. It is probable, at the same time, that the average issues of the Bank of England in 1825, ending 10th of October, were somewhat less than the average amount in circulation ending on the 10th of October, 1824; for in 1825, from April to September, we are certain that the Bank withdrew 670,000*l.* of notes by the sale of Exchequer bills, as stated by the Governor of the Bank. Are the issues of the Bank, therefore, of themselves, a true criterion of the real state of the currency? If they are, and the circulation of the country bankers is merely brought up to the level of the London currency, it would appear, that the issues of the Bank in 1824, and early part of 1825, produced an excess in the general circulation far exceeding the numerical addition to her issues, which we have seen did not much exceed 8 per cent. If the addition to the issues of the Bank in question is the only increase to the currency in Bank notes, and if the creation of private paper on credit is, under the circumstances of the extensive speculations then existing, an addition to the currency, or equivalent to it, we may find that the increase to the country circulation was a necessary consequence in accordance with the principle we have attempted to explain, that there cannot be two ratios of currency and prices existing for any length of time in the same country. The rise of prices that would

accompany a disproportioned amount of currency would speedily cause the transmission of goods to the best market, and equalize the currency and prices. If this explanation is not satisfactory, we must come to the conclusion that the country banks have the power to add 33 per cent to the amount of their issues, independently of the amount of the issues by the Bank of England. This conclusion, I think, is not warranted; it is at variance with the general principles of currency. The true explanation of the great increase of the country circulation, I think, will be found to be the following. If the Bank of England (and it is clear no other bank could do so from the want of power and capital) add unduly, or inconsistently with the true principles of currency, to the amount of her issues, by loans on mortgage, dead weight, or on Exchequer bills, 8 per cent above her previous issues, a rise of prices takes place in London proportioned to the increase of the currency. Goods are sent from the country to London, bills are drawn, which, being discounted by the country bankers, bring the country currency at once to the level of London. But the rise of prices in London is accompanied with a general desire to speculate in produce, the proportion of currency and commodities being altered, and then comes the general speculative rise of prices. The speculative rise probably exceeds the addition to the currency as the squares of the quantities added. If 2 per cent is added, prices will rise 8; if 4, they

will rise 16; and if 8, 32 per cent. During the whole of this rise of prices in London, there will be a constant transmission of goods to the London market; for the high prices, and bills being drawn on London and discounted by the country banker, maintain the circulation of the country on a level with the speculative prices of London.

In 1824 and 1825 there seemed to be an increase of the country circulation in those years, compared with 1823, of about 54 per cent, giving an average of 27. Now the increase to the issues of the Bank was fully 8 per cent in 1824, and early part of 1825, compared with 1823; and the rise in prices, in consequence of this addition, may be measured by 27 per cent, 8 per cent the rise by an addition to the currency, and 19 per cent from general speculation.

If, on the other hand, there is a contraction of the issues of the Bank of England, so as to force the currency above its bullion value (and it will be as evident in this as in the other case, that that contraction can only emanate from such a body as the Bank), say 8 per cent, it will be attended with such a destruction of public credit and confidence in buying and selling, and fall of prices, that the circulation of the country bankers will fall much below the actual contraction on the part of the Bank; indeed, the suspension of buying and selling of itself implies the non-use of currency, and the contraction will be in a similar ratio, as we have

seen in the case of extension. In both cases it seems an effect on prices, independent of the actual amount of the currency. In the one case, the rise of prices is a consequence of general speculation and overtrading: in the other, the fall is a consequence of the suspension of the usual and general interchange of commodities for currency. These are the evils, and they are evils of great magnitude, that attend the use of a paper currency.

There is a range of *extension* and *contraction* in the use of paper, that does not belong to a metallic currency, and which, perhaps, does more than counterbalance all the advantages to a nation from the use of paper.

The state of the currency in 1820 and 1821 presents us with this state of things. The bullion value of the currency, if measured by the price of silver, was increased in value about 5 per cent, and the contraction of the country circulation was about 60 per cent, in these two years, compared with the year 1819.

Whatever dependance, therefore, can be placed on this view of the effect of an extension or contraction of the issues of the Bank, both may take place; and the state of the foreign exchanges and the price of gold will be no very accurate criterion of the real value of the currency, compared with existing prices. As long as the Bank possess the means of selling gold at the rate of *3l.* 17*s.* 10½*d.* per oz. by exchanging her paper for gold, no

excess of the currency will appear. Nor will the foreign exchanges be any better test of excess. As long as the dealers in bullion are satisfied with the usual profits on exporting gold, no considerable excess will appear. Bullion dealers in this case act when there is a profit, and do not calculate that by a delay of some days or weeks their forbearance will increase that profit. Such a state of things could only be produced by a combination among them, and this is supposing a very extreme case. If the Bank of England was forced to a suspension of payments, and a restriction bill passed, while the excess of the general currency existed, then, and then only, would the market price of gold measure the excess of the currency. Such a state of things, however, can hardly ever exist; for the pressure on the coffers of the Bank for gold is the monitor of excess, and they are, in the end, forced to withdraw their notes. In doing so, it must, to be effectual, be to such an extent as to force the excess of the country circulation back upon the issuers of it; the parties being, I may say, unprepared for answering such excess returned, for gold or Bank of England paper, suffer in their credit, and those of limited capital and credit fail. This will explain the general crash among the country bankers in December last.

During the period of this increase to the paper currency, every note issued was payable in gold

on demand; yet gold remained steadily at and under its Mint price, and the foreign exchange lowered to the extent of only $1\frac{1}{2}$ per cent. I shall hereafter endeavour to explain this state of things. In the mean time I may remark, that such a state of things was never expected to exist under a system of cash payments. Payments in gold on demand were supposed of themselves sufficient to keep the currency of this country so on a level with all others, that it never could be either greatly contracted or increased; and now we have had instances of both, and to such a degree, that it requires the facts to be before us to give belief to them.

In the state of the currency, therefore, alone shall we find the true explanation of the state of public madness for speculations that existed throughout 1824 and the earlier part of the last year. With the increase of money, affecting generally for the time the rate of interest, the madness began; as the means of excitement were supplied it continued; and when withdrawn, suddenly and perhaps unexpectedly at the fountain head, the first cause, the Bank of England, we see the nature and extent of the calamity that is spread over the country.

To the increased issues, therefore, of the Bank of England in 1824 I am disposed to attribute the whole of the consequences that have followed that measure. I do not wish, however, to be under-

stood as censuring the Bank for that increase; at least I am far from supposing that they thought any such increase was to be attended by such consequences; so that the error may be counted one of judgment rather than of intention.

Generally speaking, when the Bank are subject to payments in cash, there can be but one state of things that can force upon their attention the desire decidedly to increase their issues of paper, and this will be when they have a large amount of treasure in their coffers for which they are obtaining no interest. What then was the probable state of the treasure of the Bank in January, 1824? We can only approximate to the truth, but I think we shall not be very remote from it.

| | | | |
|---|---|---|---|
| In 1821* | the Bank coined | ..... | £9,520,758 |
| In 1822 | ditto | ..... | 5,356,787 |
| In 1823† | ditto | ..... | 759,748 |
| In 1824 | ditto | ..... | 4,065,075 |
| In 1825 | ditto | ..... | 4,484,899 |
| | | | 24,187,267 |

These coinages include about 4,000,000*l.*, from guineas which were converted into sovereigns, so

* The coinage of 1821 by the Bank was the first, preparatory to the opening of the Bank for payments in cash. The coinage of 1820 was by individuals for the supply of Ireland, in consequence of the extensive failures of the country banks.

† See No. 60, Parliamentary Paper, 1825.

that the Bank had purchased above twenty millions of gold in four years. In the last six months of 1824 and 1825 the Bank could buy no gold, from the state of the exchanges. The 1*l.* and 2*l.* notes of the country bankers being allowed to remain in circulation by the bill of July, 1822, left the Bank to apply this immense mass of treasure for withdrawing her own notes of these denominations.

In May, 1821, by a bill then passed, the Bank was permitted to pay in cash at her option. In January, 1821,* the Bank had in circulation about 6,500,000*l.* of notes of 1*l.* and 2*l.* value. On the 6th† January, 1824, they were reduced to 501,700*l.*; so that the Bank issued six millions of sovereigns in exchange for her 1*l.* and 2*l.* notes; and if we now admit that the whole are withdrawn (it must be evident to the reader that I do not allude to the recent re-issuing of 1*l.* and 2*l.* notes), the Bank have issued six millions and a half of sovereigns. And let it be supposed that the country circulation, where no such substitution was required, absorbed two millions and a half more, which is a large allowance as dead stock to be kept in the coffers of the country bankers, the

* See an account of the total weekly amount of Bank notes, &c. No. 27, Parliamentary Papers, dated 10th February, 1821, Bank of England.

† See ditto, No 37, Parliamentary Papers, dated 16th February, 1824, Bank of England.

whole issues of the Bank, up to January 1, 1824, could not much exceed nine millions of sovereigns. On the 1st of January, 1824, therefore, the Bank were in possession of about fifteen millions of gold, besides silver; which, by the account of the quantity exported in the year ending January 5, 1825,* must have amounted to about two millions sterling. According to this estimate, therefore, the Bank, in January, 1824, possessed a treasure of gold and silver of about seventeen millions sterling.

That the Bank should have taken means to reduce this extensive dead stock, should not be matter of surprize; if they failed in doing it judiciously, it must depend on the measures they adopted.

As I am opposed to the doctrine, that any sudden or decided increase in the demand for currency can exist, or arise, from the ordinary course of buying and selling; the Bank, in my opinion, could not, through the ordinary channel of discounts, add materially to their issues. An increased demand for currency, arising from legitimate commerce, would be slow and progressive. If the Bank did not supply such demands, or at such a rate of discount as to be above the real value of capital, the Mint, if properly regulated, would be the next and only source of supply. Indeed, it is impossible that a country should ever

* See account of the quantity of gold and silver imported and exported in each year, since January 1, 1810, to January 1, 1825.—No. 204, Parliamentary Papers, dated Custom House, March 30, 1825.

be without a sufficiency of currency, if the Mint is properly organized; for currency, in its proper signification, is one portion of capital, which certain individuals, for a given profit, depending of course upon the ordinary rate of profits, lend to individuals of the community for that profit. In the form of discounts, therefore, the Bank could not add materially to her issues. I believe the state of the money market in 1822 and 1823 corresponded to the opinion here expressed. The Bank, by discounting at 3 or at 4 per cent, might certainly for a time increase the amount of her paper, if that rate of discount was below the market rate of interest; but it must be evident, from the extensive speculations which the abundance of money would create, that the Bank could not continue that rate of discount, if subject to cash payments; the increase of the currency would lead to the exportation of gold, and she would, in self defence, be obliged to contract the currency or suspend payments. In contracting the issues, the rate of interest would also rise. This is precisely what the Bank has lately done; but witness the ruinous consequence of the attempt.

The Bank found, therefore, that this, the only legitimate mode of disposing of her capital, would not enable her to reduce the amount of her treasure, and losing interest, she began, I believe, in 1824, to lend on mortgage. To whatever extent, therefore, the Bank lent in 1824 upon such securities, was a *permanent increase* to the currency, over which

she could have no immediate control. At a meeting of the Bank Proprietors, 22d September, 1825, the Governor of the Bank admitted that the loans on mortgages did not exceed 1,400,000*l.** The Governor of the Bank did not give any date of these loans; but if we compare the extent of them with the increase of their issues in 1824, I think we may conclude they were made in 1824; to this measure alone, therefore, may be ascribed all the calamities that have lately visited the commercial and trading community. I have already explained the principle how that a very small apparent increase to the currency should produce such consequences.†

The next mode that the Bank took to increase the amount of the currency, and to render it profitable to export a part of her treasure, was lending money on stock. This is certainly a less objection-

* See Report of the Meeting, Morning Chronicle, 23d September, 1825.

† There is a remarkable co-incidence between the situation of the Bank in 1824, and what it was in 1791. The cash and bullion in the Bank was 10,097,000*l.*, and her notes in circulation 10,217,360*l.*; the Bank lent to Government 1,500,000*l.* in this year, and by the end of 1792, she had parted with about seven millions of her treasure. In 1793 we had the commercial crisis; no doubt occasioned by the contraction of the issues of the Bank, to diminish the drain for gold. One hundred country bankers failed, the excess of their notes was returned back upon them; and Mr. Tooke supposes that it required nearly three millions of gold to supply the void occasioned by the discredit of the local notes. See State of the Currency, p. 83.

able measure than lending money on mortgage; because the Bank have it in their power to recall such advances when they please, and at short notice. I still, however, think it objectionable, inasmuch as it, without any legitimate demand, increases the amount of the circulation. Its tendency, therefore, is to foster that spirit of speculation and gambling that uniformly accompanies an over abundant state of the currency. Its effect on the price of the funds must be to maintain them at a higher market price than they could possibly be kept, if the individuals in want of money were obliged to bring their stock to market. But perhaps the strongest argument against such accommodations by the Bank is her inability, from the very nature of her institution, to continue them. It is of the same nature, and must lead to the same consequences, as the Bank discounting bills at a rate of interest lower than the market rate. It leads to such an increase of the currency as creates and fosters the spirit of speculation; the maintenance of which is constantly demanding an increase of currency, as its natural support, rendering it, in the end, profitable to export gold; and the safety of the Bank, sooner or later, requires a suspension of such accommodations, the currency is contracted, and stocks fall to their natural level.

Any interference, therefore, with the currency, so as suddenly and unnecessarily to increase its amount, otherwise than the regular and legitimate demands of trade require, and such as would alone

occur if the whole currency were metallic, would seem to be at variance with the soundest principles of the science. To such interference on the part of the Bank of England, however unintentional on her part, I apprehend must be attributed the whole of the gambling speculations that have disgraced the country for the last eighteen months, that led to the extensive issue of the country banks, and to the sudden and general destruction of their credit that we have so recently witnessed.

Some consideration, however, it may be urged, is due to the Directors of the Bank, in regard to the situation they were placed in, in relation to their proprietary, in the beginning of 1824, from having so large a treasure yielding no interest. They expected at one time, I believe, that in 1823 the circulation of the one and two pound notes of the country banks would have ceased, and have been replaced by gold, which they had purchased for that purpose. The passing of the small note bill in July, 1822, put an end to this expectation on the part of the bank. Whatever disappointment the Directors experienced by this measure did not prevent them from purchasing, in 1823, all the gold imported. The amount was considerable, perhaps not less than four millions, as will appear by the extent of her coinage in 1824. It is clear, however, that as long as the Bank could issue paper for the purchase of gold, so long she possessed the entire monopoly of the London currency. If the Bank had not purchased

the gold, but allowed the importers to coin it, and send it into circulation, it would to the same extent, abating the difference in the rapidity of circulation, have diminished the demand at the Bank for discounts; the coin would have passed into the hands of bankers and bill brokers, and have been a substitute for its notes. Its notes passed into those channels, and became a substitute for the gold.

If the one and two pound notes had been withdrawn from the country circulation, and replaced by gold, the gold could only be drawn out of the Bank by presenting her notes for payment; but as the gold was a substitute for country notes only, the Bank would be able immediately to re-issue the same amount of paper as she had taken in exchange for gold. The passing of the small note bill, therefore, prevented the Bank from issuing gold to the whole amount of that proportion of the country circulation; and realizing the usual profits on that amount of her capital: the amount may have been from four to five millions.*

The situation of the Bank, then, in 1824, was, that with a paper currency of about twenty millions, she possessed a fund of gold of about fifteen millions. It is clear, that if the Bank could have issued ten millions of her gold, to supply the place of the country circulation, she would have been re-

* A great misapprehension exists in the public mind as to the extent of the circulation of one and two pound notes. The fol-

ceiving interest on a capital of thirty millions. If the object of the Bank had been to reduce the amount of her treasure, seeing she could not substitute it for the country circulation, this could only take place, by the Bank issuing gold instead of her own paper. The issues of the Bank in this case, would have been ten millions of gold and ten

lowing is an approximation to their amount. In no year did the notes of 2*l.* 2*s.* amount to 100,000*l.*, so that they are excluded in this statement.

| | |
|---|---|
| In the year ending the 10th Oct. 1823, there were stamped of notes, not exceeding 1*l.* 1*s.* | 2,065,822 |
| Add one-third of notes not exceeding 1*l.* 1*s.* stamped in 1821 | 677,095 |
| And two-thirds of those stamped in 1822 | 1,308,210 |
| | 4,051,127 |
| In the year ending 10th Oct. 1824, stamped of notes, not exceeding 1*l.* 1*s.* | 2,394,204 |
| Add one-third of notes, not exceeding 1*l.* 1*s.* stamped in 1822 | 654,105 |
| And two-thirds of those stamped in 1823 | 1,373,214 |
| | 4,421,523 |
| In the year ending 10th Oct. 1825, there were stamped of notes, not exceeding 1*l.* 1*s.* | 3,079,661 |
| Add one-third of notes, not exceeding 1*l.* 1*s.* stamped in 1823 | 688,607 |
| And two-thirds of those stamped in 1824 | 1,596,136 |
| | 5,364,404 |

millions of paper. When the Bank substituted gold for her one and two pound notes, her issues fell from twenty-seven or twenty-eight millions to twenty. But she received interest for the gold so issued as she had for the paper withdrawn.

Had Mr. Peel's bill prohibited the Bank from dealing in bullion, and opened the Mint for payments in coin on demand for bullion, the issues of the Bank would have been regulated by the rate of profit derived from coinage. If the rate of profit on the capital employed in coinage had been 4 per cent, and the Bank discounted at 5 per cent, the coin would necessarily have displaced the Bank notes, indeed no one would have applied to the Bank for discount under such circumstances; as bills on discount became due, the issues of the Bank would be withdrawn. If, on the other hand, the Bank discounted bills in Bank notes at 4 per cent interest, when the rate of profit on coinage was 5 per cent, it is clear that the coinage must cease, as borrowers would not pay 5 per cent to the coiners, while the Bank lent at 4. The Bank, however, could not for any length of time affect the rate of interest; her increased issues for discounting under the market rate of profit on coinage would return upon her for gold for exportation, until the value of the paper was exactly proportioned to the Mint value of old.

The Bank, however, having the monopoly of

coinage, as well as paper, may vary more frequently the market rate of interest than would be the case if the trade in money was entirely free. Her desire of profitable returns in the one case, and her fears of safety in the other, subject us to a variation in the value of money, much greater than could ever possibly arise from the adoption of two standards, an evil in itself of sufficient magnitude to render legislative interference desirable.

If the foregoing reasoning is correct, the Bank could derive no permanent profit from getting rid of her gold, unless the gold so withdrawn could have displaced an equal amount of country bank paper. The exportation of the gold could not add to the profits of the Bank beyond the profit on those extra issues that lowered the value of the currency, so as to render it profitable for merchants to embark their capital in its exportation. This seemed to be effected by an addition of one million and a half, which at 4 per cent interest was equal to 60,000*l.* per annum; and it is doubtful whether the Bank could keep out this excess, so as to obtain the profit for one year. The state of public and private credit in December last must have convinced the Bank of the hazard of such an experiment. A small excess, therefore, of the issues of the Bank, continued for a length of time, might deprive her of her whole stock of gold. Gold is her capital—the representative of her paper; and if she thinks proper to have the whole of her

capital represented by paper, and keep her gold in her coffers, which is her safest plan, it will no more add to her profits beyond the excess already mentioned, and even those are doubtful, than if the half of her capital was circulated in coin, and the other half in paper; nor will the latter diminish her profits compared to the first. In a national point of view, however, the case materially differs—the gold withdrawn from the Bank for her paper becomes capital, and is reproduced with a profit. If the Bank Directors became trading merchants, and made use of this capital for their proprietary, then the general concern would be benefited: or if the capital that could be thus liberated was divided among the proprietary, it would put it into the power of each to extend his private concerns. It would be, in fact, a bonus to the proprietary.

If the Bank then in 1824 increased its issues with a view to reduce its amount of treasure, and thereby to add to its profits, it must have misapprehended the nature of the result.*

* I have heard it stated, that the Bank was induced to lend on mortgage, stock, &c., from the circumstance of having so large a stock of treasure. If this is the case, I may be excused if I further attempt to show, that to diminish her treasure could not be attended with any such advantages as the Bank may have anticipated. I shall suppose a case that five millions of Exchequer bills are purchased by the Bank, in Bank notes; the currency would be in excess, the foreign exchanges would become unfavourable, and the notes so issued would be re-

It is, therefore, exceedingly difficult to account for the conduct of the Bank in increasing the cur-

turned to the Bank, for gold for exportation. When the process in this case was finished, the Bank would have five millions less gold, and five millions of Exchequer bills bearing interest at 3 per cent per annum; her issue of notes being the same as previous to the purchase of the Exchequer bills.

But during the process of extension by the purchase of Exchequer bills, there is a rise of prices in London, and a creation of private paper for discount at the Bank, which, if granted, will continue the unfavourable foreign exchanges, and the Bank will be daily called upon to pay the excess of her issues in gold for exportation. Whatever this excess may be that the Bank kept out, will return her a profit at the ordinary rate of discount. If the Bank persevere in this measure she will ultimately lose the whole of her treasure for the profit attending the extra issue of notes. It is true, the Bank have the power, by a reduction of the issues, to correct the exchanges, and prevent the further exportation of gold; but this is more difficult than at first sight it appears. The state of commercial credit is very different after such issues on the part of the Bank than before; and the Bank find it impossible to make such reduction in her issues, without producing such a convulsion in public and private credit as to deter her from the attempt, until the state of her own credit make the state of all other credits secondary. Then the Bank begins to sell Exchequer bills, to withdraw the excess of her notes; and in doing so, she, of course, loses the interest upon this part of her capital. This, however, is not the only difficulty that the Bank has to encounter. The high prices of London, which in my opinion greatly exceed the numerical addition to the issues of the Bank, from the increase to the currency, and the general spirit of speculation and overtrading arising from it, cause a transmission of goods from the country to London, bills are drawn in the country on London, and discounted by country bankers, producing a new excess of

rency in 1824, and continuing it during the latter part of that year, and 1825. If the reason which

the general currency, the whole of which falls on the coffers of the Bank for gold for exportation, and may force the Bank, in the end, to a sale of the whole Exchequer bills, purchased with a view to diminish her treasure; and when this process is ended, the Bank has probably gained very little or nothing; she has lost the whole of her treasure, and her issues remain very nearly as before she made the experiment.

Any attempt, therefore, on the part of the Bank to diminish her treasure by forced issues, must be attended with the most calamitous results to public and private credit, while the advantage to her own interests is but problematical.

If we take another view of the case, and suppose that the Bank had not purchased one ounce of gold, it is quite clear that the amount of her issues would have been less by the whole amount of the gold purchased, and the gold would have been coined and added to the circulation. A portion of the gold would, in the ordinary course of business, have passed into the coffers of the Bank as into any other bankers, and it would be optional in the Bank to issue that gold in discounts or her paper. If she chose to be at the expense of manufacturing the paper, instead of issuing the gold, that was optional, but her profits would neither be increased nor diminished, but in as far as the expense of her paper manufactory diminished them. Now, suppose that the Bank, abstaining from buying and coining gold, became possessed of fifteen millions of sovereigns in the course of business, by always laying up the gold as it was paid in, and issuing paper, all such issues would be lent in discount, and her profits be precisely the same, whether she issued the paper or the gold in such discounts, excepting the expense of her establishment for manufacturing the paper. Under these circumstances, let us suppose that the issues of the Bank on discounts are five millions in notes, and are to be paid in and replaced by five millions of new discounts. If the Bank

I have assigned (viz. the reduction of the treasure of the Bank) be not the true one, but on the other

in the progress of these discounts, made the whole by the issue of gold in place of notes, it is clear her treasure would be diminished, and she would save the expense of fabricating the Bank notes, profits would remain the same, with the exception of the expense of the paper only. The error which the Bank seems to me to have made, was in supposing that she could maintain the same extent of issues in paper, and realize a profit on that portion of her gold that might be withdrawn from her coffers. But it seems to me, that she could not do both with profit; that the only profit she could realise was on those extra issues that produced the unfavourable exchanges and led to the exportation of gold. The consequences that follow this attempt are of so serious a nature, as to the stability and credit of the Bank, that I think such profits are by no means a compensation for the risk.—They are not permanent, and evidently tend to a re-action that must ultimately place the Bank, as to profits, in nearly the same situation as if she had not made the attempt. In January, 1824, I have supposed that the Bank possessed fifteen millions of gold; on the 15th Dec. 1825, she possessed very little; now if the amount of her issues were nearly the same at these two periods, her profits would be in relation to these issues, and unless the Bank can show a deposit of fifteen millions of Exchequer bills or other securities, for the gold withdrawn from her coffers, I do not see where her profit can have arisen, by diminishing the amount of her treasure. In December last the issues of the Bank must have been largely increased by the discredit of the country circulation. The extent of those issues would afford a tolerable criterion of the extent to which country bankers had to withdraw their notes.

It is admitted, I believe, by the Bank Directors, that they obtained no profit for those notes issued for the payment of gold. If so, why did they purchase the gold? If they had not

hand the increase arose from discounting at a rate of interest below the real market rate, and by purchased the gold, they could not have added to the amount of their notes; they could not have kept the same amount in circulation. If the whole gold imported had been coined by the importers, and sent into circulation, there would have been a check to the issues of the Bank to the extent of these purchases. I have endeavoured to prove, that the Bank could not have accumulated so much treasure, but from the continued contraction of the country circulation, arising from the high value of the currency of the Bank in 1820, 1821, 1822, and 1823. The profits of the Bank were the same, whatever course was adopted. Her profits arose from her capital lent to Government, and on discounts to merchants—the purchases of bullion added to her issues, without profit—and neither affected the profits on capital lent to Government, nor on discounts to merchants. If this reasoning is correct, in what way could the Bank realize a profit on the disposal of her gold, which was accumulated without profit? If the gold was withdrawn from the Bank, it was by presenting the very notes with which it was purchased. If the Bank reissued the notes, say in the purchase of Exchequer bills, they would be returned again for gold, until the Bank had parted with her treasure. In this way it may be said, that the Bank might convert the whole of her gold into Exchequer bills, and derive a profit of 3 per cent per annum.

Now let it be supposed that the Bank carried on this process from the 1st January, 1824, at which period I suppose she possessed fifteen millions of gold, and that she kept the same amount of paper in circulation, and in place of fifteen millions of gold, possessed fifteen millions of Exchequer bills. If the Bank could have carried on this process without any change whatever in the mercantile and trading world, it is clear she would be deriving a profit upon her gold at the rate of interest on Exchequer bills. But what I contend for is, that the Bank

loans on mortgage, without reference to the amount of treasure; the Bank believing that it had the power at any time to stop the exportation of gold—had gone into such measures, it is evident, from the enlargement of the country circulation, that the exercise of the power of narrowing the currency, to prevent the exportation of gold, would be one of great difficulty, and the longer it was delayed, attended with increased danger to the credit of the country. That the Bank was not aware of the whole extent of the increase to the

could not carry on this process; that the excess of the currency, caused by the process, would raise prices, generate speculation and overtrading, attended necessarily and inevitably by such an excess on the part of the country circulation, much greater than the numerical addition to the currency by the Bank, for the reasons already stated, that the whole excess would fall on the Bank for gold for exportation, and she, to save her credit, must go on selling Exchequer bills, to restore the currency to its Mint value.

To whatever extent, therefore, the Bank could convert her treasure into securities paying interest (for in supposing she could do so with fifteen millions of gold is an extreme case) to that extent only would the experiment be successful and profitable: that this is limited in amount I have no doubt whatever, from the extension of the circulation by the country bankers, producing a general and extensive excess in the currency, which returns upon the coffers of the Bank, so as to render her profits in this way extremely doubtful; they may continue for a month, for six or twelve months, depending upon the amount of her treasure, but in the nature of things cannot be permanent.

country circulation, until the exercise of the remedy was dangerous, I think very probable, for we have no test that I am aware of by which an excess of the country circulation can be accurately measured in London. If its judgment was guided by the state of the foreign exchanges, it is true they appeared to indicate no great excess, for they had fallen very little under par, though sufficiently so to render gold a profitable article of export. As long, however, as the general mass of the currency was below its bullion value, so long would that general excess fall on the coffers of the Bank, and this is the true test of the general excess to the Bank, and it is at her peril that she disregards it. The Bank was thus placed in a situation, not only to answer for the excess of her own issues, but for the whole of the excess of the country circulation. If the Bank had been unable at any time, during this excess of the currency, to answer the demands for gold, the foreign exchanges and the market price of gold would have immediately indicated the extent of that excess. But as long as the Bank could pay in gold, there would be no indication of excess in the currency, either by a rise in the market above the Mint price of gold, or a fall in the foreign exchanges, beyond that point, that afforded a profit upon its exportation.

But let us appeal to the facts of the case in support of this reasoning.

I have already stated, that the computed amount of the country circulation on the 10th of October, 1823, was ... £8,067,270

And on the 10th of October, 1825 14,147,210

Making an increase of ..... 6,079,940

Add the increased issues of the Bank of England, in 1824 ..... 1,500,000

And we have an addition of ..... 7,579,940 to the currency in these two years.

The coffers of the Bank were answerable, and were made answerable, for the whole of this excess. Nay more, in consequence of the Bank continuing to re-issue in discounts the paper returned for gold, the progressive drain was prolonged, until her coffers were nearly exhausted.*

By an account presented to the House of Commons of the quantity of gold and silver exported and imported from 1815 to 1825—No. 204, of the Parliamentary Papers of 1825, already noticed, it appears that the quantity of gold exported, in the year ending the 5th of January,

* It is the excess of the country circulation so greatly exceeding the excess of the Bank's issues that makes it so difficult for her to contract to the extent necessary to prevent the exportation of gold. An addition of one million and a half by the Bank of England is followed by six additional millions by the country banks—the question then is, what proportion of this general excess can the Bank withdraw without shaking commercial credit to its centre?

1825, in bullion, Foreign and British coin, amounted to 1,134,407 oz. 13 dwts., and at 3*l*. 17*s*. 10½*d*. per oz. to 4,417,092*l*. If we had the same account continued to the 5th of July, 1825, I have no doubt but we should find that the export of gold has considerably exceeded the whole addition to the currency in 1824 and 1825.

Under the peculiar circumstances of the case, the Bank of England were in a great measure obliged to be, if I may so express it, neutral spectators of the scene. With such an excess in the general circulation, any contraction of her issues to stop the exportation of gold must have been made upon a scale of such magnitude, as would at once have paralysed the whole frame of the banking, commercial, trading, and agricultural community.* In this state of

* For example, take the average issues of the Bank of England in 1823. ..... £18,603,302
The average circulation of the country bankers at 8,067,260
26,670,562

The average circulation of the Bank of England in 1824, was ..... 20,110,314
The average of the country circulation was.. 10,604,172
30,714,486

being an increase of 4,043,924*l*. and equal to 15 per cent. This will at once explain the difficulty which the Bank must at all times experience in correcting the unfavourable exchange. If it is done suddenly, it is sure to produce the most mischievous

neutrality I apprehend she remained until the month of April last. By this time her treasure was considerably reduced, and the state of the foreign exchanges made it still profitable to export gold. At last the Bank were forced to act; and we have the authority of the Governor of the Bank at the meeting of the Quarterly Court of Proprietors in September last, that the Bank had, in the course of three months, sold Exchequer bills to the amount of 670,000*l.** The Governor admitted, that the amount of the notes then in circulation was 18,200,000*l.* so that 670,000*l.* having been withdrawn by the

effect upon credit, leading immediately to the discredit of the country circulation, and I have no doubt, if the facts of the case could be produced, the operation of this principle would explain the true cause of the extensive destruction of public credit. in 1793, 1797—1815 and 1816, in 1819, and in 1825.

* See Report of the Proceedings, Morning Chronicle, 23d September, 1825.

As every thing connected with the history of the currency. in 1825, from recent circumstances, must be extremely interesting, I insert a part of the proceedings of the Quarterly Court at the Bank in September last.

Mr. Grundy stated, that "he held in his hand a few questions, which appeared to him to be of vital importance, and he trusted that when he submitted them to the Chairman, that honourable Chairman would not feel any hesitation in giving them a straight forward reply."

"The Chairman trusted that every proprietor would bear him out when he asserted, that to the questions that had formerly been asked him he had given clear and candid replies. To do so he deemed it but right in the situation that he held, and on the present occasion he had only to say, that he was

sale of Exchequer bills, was about 3½ per cent of the whole. Now what followed this reduction of

certainly disposed to give any information that might be required of him, and that he would, consistent with the duty he owed to the proprietors."

"Mr. Grundy was glad at being so encouraged in the questions he was about to propose. The first one that he would ask was, what amount of Bank notes there was at present in circulation?"

"A proprietor submitted that it might be as well if the honourable proprietor were to propose the whole of the questions at once, by which means the Court would be able to perceive how far it was his intention to go."

"The Chairman did not seem to think that that was necessary. He was perfectly ready for any question, merely reserving for himself the discretionary power of answering it or not, as might seem to him most proper. With respect to the first question, he had to state, in reply, that the present Bank note circulation amounted to 18,200,000*l.*, being about 400,000*l.* less than at that time twelve months.

"Mr. Grundy's next question was—What decrease or increase has there been in the sale of Exchequer bills, during the last six months?

"The Chairman.—Very little either way. In my opinion, the public is very much deceived in their idea of what is done by the Bank in the way of Exchequer bills."

"Mr. Grundy.—The gist of my question was to ascertain whether any large sales had lately taken place?"

"The Chairman.—The whole amount that has been sold by the Bank *is but* 670,000*l.*; and nearly three months were occupied in selling that amount. *Hear, hear!*"

"Mr. Grundy.—My next question is—What advance has there been on mortgages?"

"The Chairman.—The mortgages do not exceed 1,400,000*l.*"

"Mr. Grundy.—And what advance has been made on stock?"

the issues of the Bank. On the 5th of April, three per cent consols were 93$\frac{1}{8}$, and on the 3rd

"The Chairman,—I believe, the last time that I was asked that question, I stated that the advance amounted to between 5 and 600,000*l.* In this I now find that I was incorrect, having considerably exaggerated the amount. It was at that period only 480,000*l.*, and it has since increased a little, but not much."

"Mr. Grundy.—My last question, Sir, is, what has principally occasioned the large alterations that have taken place in the money-market? (laughter.)"

"The Chairman.—I must really beg the honourable proprietor to apply elsewhere for an answer! I can assure the Court that the Governors have most indefatigably gone through the task imposed upon them by their office, without attending either to good or ill report."

"Mr. Grundy.—Am I then, Sir, to understand that you profess ignorance of the cause?"

"The Chairman.—Not in the least, Sir. All I did was to *exonerate the Bank Directors.* I set out by saying that you must apply elsewhere."

In the report of these proceedings at the Court of Proprietors, we have a proof, among others already noticed, how little importance seems to be attached, by the Directors of the Bank, to either an increase or a diminution in the amount of the currency. The effect to be produced by the one or the other is totally lost sight of by the Governor of the Bank. The augmentation of 1,400,000*l.* on mortgage is stated, as if it were a mere matter of figures, and as if no consequences injurious to the public, or the Bank itself, could result from the measure. To this measure alone I attribute the origin of all the mad speculations that we have witnessed. The addition to the currency immediately affected the current rate of interest, as we have seen by the rise in the price of the funds; the rise in twelve months being about 23 per cent, and the rate of interest reduced

of September, they were at 87. Money became extremely scarce, and credit was very generally from 3*l.* 15*s.* to 3*l.* 4*s.* It was the abundance of money that produced this state of things, and induced every man with capital to speculate; and those who did not possess capital were enabled to do so from the facility of obtaining credit. On the other hand, the reduction of the circulation, by the sale of Exchequer bills, is mentioned by the Governor as if no importance could be attached to it;—"*very little either way*," is his answer to Mr. Grundy's question. "In my opinion," he adds, "the public is very much deceived in their idea of what is done by the Bank in the way of Exchequer bills." This being no answer to Mr. Grundy's question—the Governor subsequently stated that "the whole amount that has been sold by the Bank *is but* 670,000*l.* I have already stated, that sale to this extent was equal to 3¼ per cent of the whole issues of the Bank. When the sales were completed, the extent of credit and accommodation in the money market was reduced to a much greater extent than the reduction of the currency. There is the same number of individuals wanting credit, but the power of giving it is diminished. Bankers and others who have the diminished power, are more cautious in using it—and this circumspection increases the evils that accompany a contraction of the circulation; it is, in itself, a further contraction. The scarcity of money is generally felt; and from the private mode of managing the concerns of the Bank, individuals are at a loss to whom they should ascribe their difficulties. By the sale of Exchequer bills by the Bank, to the extent of 670,000*l.* a reduction of 3¼ per cent of all her issues was accomplished, the effect on commercial credit may be increased two or three times beyond the actual reduction in the currency. Mr. Grundy's question, therefore, as to the causes of the large alterations that had taken place in the money market was both a natural and a very proper one to put to the Chairman. The

impaired. The exchange with Paris, rose after April, from 25.15 to 25.25, being a rise only of 7*s*. 11½*d*. per cent, though the contraction of the London circulation had been 3½ per cent.

Dr. Kelly in his table No. 1, of the Pars of Exchange, p. 146, vol. ii, states the par with Paris in gold to be 25.26 by assay, which is the correct bullion value of the currency. Now, if there had been no excess in the general currency of the country, the reduction of the issues on the part of the Bank of England must have turned the exchanges greatly in favour of London. The whole effect, however, was to raise the exchange to par. It had, however, the effect which the Bank wished to produce, it checked for the time the further exportation of gold.

The effect of the contraction of the circulation was severely felt in London, where credit towards the latter end of September and throughout October, was nearly annihilated. In November, the Bank, it was said, became alarmed for the state of credit, and became more liberal in her discounts. That such was the case is probable, as the exchange with Paris, which on the 7th of October

reply of the Chairman, requesting Mr. Grundy to apply elsewhere for an answer, his desire being to *exonerate* Bank Directors, was declaring at once that they were not, in their own judgment, the cause of the alterations in the value of money. If my reasoning has been correct, a different conclusion must be drawn.

was 25.40, was by the 18th of November at 25.20. By this time, however, the state of credit in London was widely felt throughout the country. Country bankers could no longer find the usual extent of accommodations from their London correspondents; and those who had deposits in London began to withdraw them in October and November, from a conviction that they must be prepared for the worst; this greatly increased the difficulties in London, and still further impaired the general state of credit. It was impossible any longer for the London bankers to support the credit of the country ones; and the failure of a few brought discredit on the whole: so that there was hardly a banking-house throughout England that had not a run upon it for gold or Bank of England notes. The inevitable consequences of such a state of things was, to force the sale of all securities that could be converted into Bank of England paper; that gold might be obtained to maintain the credit of the country circulation. This in its turn produced a run upon the Bank of England for gold; and we may judge of the extent of her means to meet this run, when she was forced, in the course of a week or ten days, to have recourse to the issue of one and two pound notes. It was a tacit acknowledgment that her treasure was nearly exhausted. On the 11th of November, three per cents sold for 87; and on the 16th of December, they were as low as 75½. The credit of the Lon-

don bankers was generally affected, there was a run upon several, and five or six stopped payment. Such a scene of alarm was never before witnessed on the London exchange; credit was entirely destroyed; and for immediate and temporary purposes, the interest of money was from 40 to 60 per cent.

Thus closed the year 1825, a year that will be memorable in the history of our currency and credit, and the value of money. In December, 1824, the three per cent consols were 96; in December, 1825, 75¼. A fluctuation entirely owing to the unsettled value of the currency. It is to be hoped that the lesson that has been taught the Bank of England and country bankers will not be lost upon them. The extent of the mischief to the community cannot yet be measured. It must materially interfere with the receipts of the exchequer; and the hope of a further abolition of taxes must for the present be abandoned. The total stagnation in buying and selling must affect, for a considerable time, the welfare of the trading community. From the state of credit, the fulfilment of existing engagements is rendered difficult, in many cases impossible, and distress and bankruptcies will follow as a necessary consequence.

## CHAPTER X.

Recapitulation of the principles attempted to be established in the foregoing chapters.

In the foregoing pages, I have endeavoured to establish the following principles:

1. That in a country with a paper currency, payable in gold on demand, any undue or unnecessary extension of its amount, such as would not be called for in the ordinary course of commercial transactions, and never would be made if the whole currency were metallic—but such as may be made by loans to Government, purchase of Exchequer bills, on loans, mortgage, or on stock—will lead to a reduction of the current rate of interest, an unnatural rise in the price of Government funds, and a general spirit of gambling in all money securities.

2. That if the currency of the country were entirely metallic, or the proportion of paper the lesser quantity of the two, we might be less subject to such violent and extensive fluctuations in the value of property, so productive of ruin and distress to the community, and rendering it a matter of doubt whether as a nation we derive any advantage from the substitution of a paper for a metallic circulation.

3. That under a system of cash payments, the Bank of England could not add to the amount of the currency, beyond the legitimate demands of the country, or such as would be demanded if the whole circulation was metallic; unless she resorted to loans to Government, or on mortgage, purchase of Exchequer bills, or loans on stock; and that when she has recourse to such measures, so completely at variance with the soundest principles of banking, it is followed by an extension of the circulation of country bankers, in a far greater proportion than the increase to the basis of the currency, in the first instance, by the extension of the issues of the Bank of England; and sooner or later will produce a demand for gold on the Bank, so as to force her to a contraction of the currency —endangering her own safety, destroying the credit of the commercial community, and the banking establishments of the country. That when the Bank of England is obliged suddenly to contract its issues, either to preserve its gold, or to augment its amount, it may be followed by such a contraction of the country circulation as for a length of time to keep the bullion value of our currency much higher than in other countries, and causing a fall of prices from diminished consumption, the want of confidence, and the means of exchanging commodities, that bears no true relation for the time to the state of the foreign exchanges on the market price of gold, as ap-

pears to have been the case in 1820, 1821, and 1822.

4. That while the Bank of England possesses the monopoly of the currency—paper as well as metallic, by the existing regulations of the Mint she has the power of regulating the current rate of interest, which would otherwise be regulated by the current rate of profits on coinage; that under the operation of this monopoly, she may acquire an extent of treasure, which in the end may be attended with such a supposed sacrifice of her profits, by loss of interest, as to induce her to adopt measures to free herself from the encumbrance, and lead to very great fluctuations in the value of money and property generally.

Lastly.—From the undue or unnecessary increase of the currency, which could not take place if the whole were metallic, we have the origin and sole cause of general speculations and overtrading, which proceed with its increase, and in their progress demand or require new additions to the circulation and credit; and, from the consequent facility of obtaining credit, may far outstrip the actual increase of the currency; a state of things that cannot be prolonged beyond the safety of the Bank, which again depends on the stock of her treasure: the issues are then contracted, this is followed by the contraction of the country circulation, credit is destroyed, and suddenly our markets assume the appearance of low

prices, over-production, or indefinite supply.* If this principle is applied to the contraction of our currency in 1815 and 1816, with the low prices that followed; its extension in 1817 and 1818, and the general speculation, overtrading, and high prices, that succeeded; and again, to its contraction in 1819, 1820, 1821, and 1822, and the general complaint of abundance of foreign and home produce, and low prices that continued throughout these years; and lastly, to the increase of the currency in 1824 and part of 1825, with the accompanying rage of speculation, overtrading, and high prices that followed, we see the establishment of the principle in all its forms and effects.

In the opinion of Mr. Tooke, general speculation and overtrading may take place in a country where the currency is purely metallic, and instances the extensive failures in Hamburgh in 1798. But it must be remembered, that these failures were *subsequent* to, and I have hardly a doubt were *consequent* upon, a very sudden and violent contraction of the currency of England in 1797, and extended throughout the whole of 1798, as a reference to the then foreign exchanges will confirm. It is more than probable that the exten-

* High prices are not necessarily favourable to speculation and over-trading, but on the contrary, low, and rising prices; which imply a new relation between commodities and currency, from an increase of the latter. The evils of such a system are not confined to England, but must produce a corresponding effect on the commercial relations and credit of every country with which England holds intercourse.

sive speculations in Hamburgh, which failed in 1798, had their origin in the extended currency and high prices of England in 1795 and 1796. In these years we had also our speculations and overtrading, and they were checked by the necessity imposed on the Bank to diminish its issues. The failure of credit in England would extend to Hamburgh, as a matter of course; Hamburgh at that time being most extensively connected with us in commerce.

If we refer to the state of the money market in Hamburgh, in December last, we shall find, even with her purely metallic currency, that the state of her public credit was not different from our own; but it was in this case also, as in 1798, *subsequent* to, or accompanying, the state of public credit in England.*

If these are legitimate conclusions, it would appear, that the evils of our paper currency are not confined to England; and are far more extensive than has hitherto been conceived or admitted; and may be an argument, stronger than any yet produced, for remodelling our system of paper currency, and, if not abolishing it altogether, to confine it within such limits, as to diminish, as much as possible, the chances of its producing such extensive mischief.

*By recent accounts from Paris, we have been informed of extensive failures on *their* Stock Exchange; but these failures have been *subsequent* to the contraction of the circulation in England.

## CHAPTER XI.

Proposed remedies for the regulation of our currency.

I SHALL now proceed to state such remedies as may enable us to avoid in future the evils that seem to be inseparable from the present system of our currency.

It is necessary to begin with the Bank of England, as I think the cause of the late failure in commercial credit has in a great measure, if not altogether, been traced to her measures for unnecessarily, unless for her own interest, increasing the amount of the currency. I would, therefore, take the power from her of lending to Government on Exchequer bills, on mortgage, or on stock. None of them seems consistent with the legitimate principles of banking. It would be desirable also, and I think it very practicable, for the Government to raise money at any time on Exchequer bills, for the arrears of the consolidated fund, without doing so through the medium of the Bank. If the Government would establish in the city a banking-house—call it the Exchequer and Treasury Banking-house, where every public accountant would have his accounts, by which the Treasury would at all times have the balances of every public account at command (which balances

amount on an average to from four to five millions) they could, through the means of their own bankers, raise money in the public market at the current rate of interest. Such a plan as this would avoid all interference with the current business of the Bank. If she retained the management of the national debt, the Treasury and Exchequer bankers would pay over to her the interest due quarterly, and no more intimate connection need exist. The Treasury and Exchequer bankers, according to the balance of cash on hand, could apply it to the purchase of Exchequer bills, and so diminish the charge of interest to the Exchequer. The profit which the Bank now makes on these balances would be transferred to the public, and would do more than pay the expences of the banking establishment. The result would be the same as if the *Treasury* kept the accounts of all its servants, and made a profitable use of the balance in hand.

As it has been proved, and I hope satisfactorily, that our paper currency is in an undue proportion to its metallic basis, I would propose that the Bank of England should not issue notes below the value of 20*l.* If this became the general regulation for all banks issuing promissory notes, it might bring back our currency to the state it was in a few years previous to the suspension of cash payments in 1797, when our gold currency was estimated by Lord Liverpool, Mr. Rose, and others, at from

twenty-five to thirty millions. That such a measure would not entirely prevent the variations in the value of money, inseparable from the use of a paper currency and so injurious to the public welfare, I am willing to admit. The nearer the approximation to a currency entirely metallic, the more steady and uniform will its value be; and perhaps the essential interests of the community would be consulted by prohibiting the circulation of any promissory note below the value of 50*l.* giving the bank of England the power, for the convenience of the country, to issue Bank post bills for sums of 10*l.* and upwards.

If these regulations were adopted, I would propose that the trade in coined money should be perfectly free; that the Mint, according to the plan I had the honour to propose before the Committee of the House of Lords on the Affairs of the Bank in 1819, should possess a fund, which would enable her, immediately on the quality of the bullion being ascertained by assay (and in no case should this exceed forty-eight hours) coined money would be given in exchange for it.

I have already endeavoured to show how important and essential such a regulation is to the interests of the community, and the probability, that if such a regulation had been co-existent with Mr. Peel's bill, we should have escaped from the long continued ruinous prices that followed the

measures of the Bank before and after the resumption of cash payments.

I would further propose, for the general convenience of all classes, but particularly the lower, that an addition of three or four millions should be made to the silver currency at the rate of half a million per annum. The silver currency in the country can never be said to be proportioned to the wants of the community unless every labourer throughout the kingdom can receive his weekly wages in the current coin of the realm. That this is not, and has never been, the case in this country, I think I may safely affirm. On the contrary, we have had *5s.* and *2s. 6d.* notes, and checks upon provision shops, and meetings between masters and servants in public houses for the payment of wages, taking from the labourer the power of spending his wages where he pleases, and the advantages of a ready money purchase. The tendency of such a system is to render the labourer more dependant and degraded than he would otherwise be, and in point of fact it must operate, more or less, as a tax on his wages. I am satisfied that an abundant silver currency would add decidedly to the morality, comfort, and independence, of the labouring classes of the community.

The profit which the government would derive from these progressive annual coinages (which can be suspended on the first appearance of excess),

would defray the greater part of the charges of the Mint establishment.

With regard to the circulation of the country bankers, I would propose, first, that the banking system should be thrown open to within sixty-five miles of London, as agreed upon by the Government and the Bank in 1822,* but that they should issue no notes of lower denominations than the Bank of England. If joint stock banking companies followed the freedom of the trade, there would be sufficient security for the public, and the power of over-issuing considerably reduced by the paper currency being confined within narrower limits. That portion of the currency from a 1*l.* note up to twenty or fifty, whatever may be the limit, will hereafter, being metallic, form the solid capital of those who think it their interest to follow the profession of banking. This portion of their capital bankers will lend at interest in the discount of bills, as formerly; but as it is a real and substantial capital, it will not be liable to the same changes from scarcity to abundance, or from abundance to scarcity, as if it were entirely paper. The effect of this plan would be, to give great solidity to our banking system; it would be men of real and substantial capital that would embark in the business, and the public would be freed from the

* Since this was written this desirable point has been arranged between the Bank and Government.

ruinous consequences that follow an extension and contraction of the paper circulation.. A really useful system of paper currency, that system in fact that enables a nation to apply a portion of her metallic capital to other and productive purposes, ought to be the aim of the Government. If that portion of capital, whatever it may be, can be saved, without producing ruinous speculations and overtrading, it will be beneficial; but if it is attempted to save more capital, by the substitution of paper, than the nature of the system will bear, and subject the community to much more extensive loss by the attempt, it proves something bad in the system : it becomes a question, then, what are the proportions of paper and coin, if any, that can be maintained beneficially in a country, so as not to cause a greater destruction of capital, by speculations and overtrading, than the saving which results from the substitution of paper for gold. This is the true mode of estimating the advantages and disadvantages of a mixed currency, such as we have in this country. Supposing the whole currency of the three kingdoms to be fifty millions. If twenty-five millions of gold and twenty-five millions of paper do not keep us free from the evils of a greatly varying value in money, we ought to try any other proportion, greater of gold, and less of paper. If every proportion fail in giving us a fixity of prices, such as would result from a purely metallic currency, beneficial to all, and injurious to none; we ought

at once to come to the resolution of having no other than a metallic currency. In other words, make England as the county of Lancashire.

An opinion prevails, and I think an erroneous one, that if we were to abolish our paper currency, neither rent nor taxes, of course the interest of the national debt, could be paid. We have attempted to prove that all the advantage to be derived from our paper currency, as a substitution for gold, is the profitable use of that capital for which the paper is a substitute. If this is five, ten, or twenty millions, then the reproduction of that capital, with a profit, is the limit, as it is the maximum, of the actual advantage of our paper currency. Inasmuch as it is an increase to the amount of the productive capital of the country, in so far it assists in the payment of taxes, but no further. Taxes are never paid from currency, though paid in currency. It is from the profits of capital alone that taxes are paid, and currency is the medium by which they are paid. It is of no consequence, therefore, whether the currency is all paper, or partly paper and metallic, or entirely metallic, as far as the payment of rent and taxes are concerned. There has been attributed to the paper currency of this country a sort of magic power, by which wealth has been created and the Government revenue collected, to a much greater extent than it could otherwise have been done, by which the interest of the national debt

has been paid, and without which landlords could not have received their rents; and the inference drawn is, that if the paper currency was restricted in amount, or entirely abolished, the Government could not carry on the affairs of the nation, and landlords could not receive their rents. In this conclusion I cannot agree. If the paper currency at any time has kept prices in this country above their bullion value, which is admitted was the case during a considerable period of the restriction on cash payments, rents would also rise. The restoration of the currency to its Mint value would restore prices to their bullion value, and rents would fall to their proper level, but the landlord would sustain no further injury. The rise of rents from a depreciated currency was not all gain to the landlord, for the purchasing power of his rents was reduced in value from the rise in price of all the articles of consumption. When rents, on the other hand, fall to their bullion value, the loss to the landlord is more nominal than real. General prices are lower, and his diminished amount of rent can command a greater amount of the necessaries of life.

I have thought it necessary to state thus much of the principles of currency, before noticing what regulations it may be advisable to introduce with regard to the circulation of the country banks.

This subject has deservedly occupied a great

deal of public attention of late, and several plans have been proposed with the view of introducing health and stability into this portion of our circulation.

The assimilating of the country banks of England to those of Scotland has been urged as a remedy for the evils of the present system. That the introduction of joint stock and chartered banking companies into England would be attended with great advantage, no one will deny—that is acquainted with the stability of the Scotch banks. It would operate as a complete protection to the holders of notes against the insolvency of any of the banks. Here the benefit would end; and great as it manifestly is, I think it the lesser of the two evils that exist in the present country banking system of England. The extensive distress at this moment felt throughout England, from the discredit and insolvency of the country bankers, has its origin in the power of adding largely and unduly to the amount of the currency. This evil was not confined to England. Scotland has had her currency augmented to the level of England; has had her joint stock speculations and overtrading; has also had her circulation contracted, and public credit impaired; her labourers thrown out of employment, and a general stagnation in trade. The only difference in the two cases is the distress and loss that the lower classes of England have sustained from being the holders of the notes

of such banks as have become insolvent. But even this distress, great and lamentable as it may be, is not to be compared with the far greater misery that afflicts the population in both countries, from the want of employment that follows the destruction of credit and capital during the stagnation of buying and selling. The poor must suffer until general confidence is restored; and supply and demand resume their ordinary level.

The introduction, therefore, of the Scotch system of banking into England, though much superior to that now existing, would be no effectual remedy for the greater evils of our present paper currency, inasmuch as it would not take away the power of adding suddenly and largely to the currency, or diminish the necessity arising from the use of that power, of suddenly and extensively contracting the circulation.

Another plan has been proposed in the Scotsman's newspaper, 17th of December last. The writer states, that "the repeal of the injurious and absurd restriction which has obtained for more than a century in England, by which more than six individuals are prevented from entering into any co-partnery for the issue of notes, has been suggested as a remedy for the evils complained of. But though this repeal would, by allowing the formation of great joint stock banking companies, possessed of adequate capital, be a very great improvement on the existing system, we are very far

indeed from thinking that it would of itself be sufficient. There must always be infinitely more hazard in conducting the business of banking in a highly commercial country like England, than in Scotland; and nothing can be more absurd than to argue, that because few of the Scotch banks have failed, they would therefore succeed equally well in England. There is more speculation in Lancashire in a single week than there is in Scotland in a twelvemonth; and the risk incurred by the banking establishments there must be proportionably great. The fact is, that no company, whether it consists of *six*, or *six hundred thousand partners*, ought to be permitted to issue notes at pleasure. For you can have no security that they will not abuse the power to do so; at the same time, that it is certain that the ruin occasioned by the bankruptcy of any establishment will most commonly be directly proportioned to the number of its partners, and the credit and confidence it has enjoyed. To insure the public against the bad faith or the imprudent conduct of the issuers of paper money, it has always appeared to us to be quite indispensable that a law should be enacted, compelling all individuals or associations who issue notes to hold a certain amount of Government securities proportioned to their issues, as a guarantee for the payment of their paper. There may be some difference of opinion as to the limit at which this proportion ought to be fixed, but we do not

think it ought to be less than *two thirds* of the total amount of the stamps issued to them. It is to no purpose to contend that this would be laying banking companies under any improper restraint. Had the freedom they have hitherto enjoyed been productive of no bad consequences, they would have had some grounds for protesting against being subjected to any restriction; but after the wide-spread mischief, and destruction of individual fortunes, caused by their misconduct and want of capital, Ministers are not only warranted, but they are called upon by a just regard to the public interests, to interfere to put down the present system. Besides, it must be remembered that the bankers will get the same rate of interest on the funded property that is got by other individuals; while the obligation to hold it will have the effect to exclude all persons who are not possessed of capital from the trade, and will prevent those who are possessed of capital from improperly extending their issues. Neither do we attach any weight to the objection of those who contend that this measure would be opposed to the principle of the freedom of industry; for, though generally true, this is a principle that does not hold universally. It is, for example, admitted on all hands, that in order to prevent the confusion that would arise from the currency of coins of different values, but of the same denomination, it is expedient that Government should interfere to prohibit the circulation of

private tokens, and of all coins which have not been struck at the public Mint. But if such a regulation be, as it most certainly is, expedient, why should it not also be expedient to endeavour to secure the public against loss from the issue of worthless *paper* money. Women, mechanics, labourers, and individuals of all descriptions, who are no wise qualified to judge of the stability of different banking companies, are all dealers in money; and they have a clear and undoubted right to expect protection and security from such an obvious cause of loss as the granting of permission to every one who chooses to send notes into circulation."

This plan has for its object the protection of the public, who are the holders of the notes of the English country bankers, from any loss in case of the insolvency of any of the banks. In this respect, the plan would be productive of the same effects as the joint stock banking companies of Scotland; and beyond this security, the writer does not seem to have any other object in view; and admitting that it would be a guarantee to the public, which I think it would, it is clear, that it is obtained by a sacrifice of a portion of the rate of interest on banking capital in England, to which Scotland and the Bank of England are not subject. It is, I think, objectionable. The writer justifies the principle of his plan, because, in his

opinion, there must necessarily be more hazard in conducting the banking concerns of a highly commercial country like England than in Scotland. Now the competition of capital, and the consequent rate of profit, must be the same in Scotland as in Lancashire, and the relative amount of capital and currency will be the same in both. Consequently, there can be no higher state of commercial credit, or greater speculations, in the one country than the other, and no greater hazard to the banks of England than to the banks of Scotland. If, by any regulation the relative amount of currency could be decidedly greater in Lancashire than in Scotland, more extensive speculations and more decided hazard would attend banking in Lancashire than in Scotland—but this is supposing a case entirely at variance with the principles of currency, which reduces itself to one common level throughout a country. It is the operation of this principle, that renders speculation general, and never local in a country. Speculation and overtrading, as I have already endeavoured to explain, have their origin in an undue increase of the currency, and such as could not take place if entirely metallic, and when this increase takes place in one part of the country, from the very nature and intimate connection of commercial transactions and banking, it becomes in a very short time general in all. There therefore cannot be two rates

of speculation in a country, without a disproportionate amount of currency, which in the nature of things cannot exist.

As far, therefore, as the principle of speculation is concerned, there seems no motive for placing the capital of country bankers in England upon a different footing from that of Scotland, which is admitted to give complete security to the holders of their notes.

I doubt, however, that such a plan could be carried into effect. For if the rate of interest on banking capital was 5 per cent, a country banker would prefer converting that portion of his capital which he is required to hold in Government securities at 3½ or 4 per cent into gold, and lend it at the current rate of interest at 5 per cent. The operation of the plan, therefore, if attempted, would be to bring us precisely to the same result, though in an indirect and objectionable way, that would be obtained by the plan that I have in conclusion to propose, that of reducing the paper currency, so as to leave the proportion of one-third paper and two-thirds gold. This would leave the banking trade perfectly free, and the security of the public will be found in the amount of capital in gold and silver in circulation compared with the proportion of paper.

I would, therefore, propose as a general plan for our currency, that no bank issuing promissory notes payable on demand in England, Scotland,

and Ireland, should be permitted to issue any note of less value than 20*l.* The accomplishment of this plan should be very gradual, lest the currency should be forced, as in 1819 and 1820, to an unnaturally high value. I would propose, therefore, two years for withdrawing all notes of the value of one and two pounds; in the third year, notes of the value of 5*l.* may be withdrawn; and in the fourth those of the value of 10*l.*; so that in four years the plan would be in full operation.

With a view to facilitate this measure, and give perfect freedom to the trade in money, I would propose to place the Mint under such regulations, with a capital of 250,000*l.* as would convert all the bullion brought for coinage into currency in forty-eight hours.

If this plan was objected to as more expensive, and leading to more extensive coinages, I would answer, that from 1777, when the reformation of the gold coinage was completed, to 1797, the average yearly coinage was about one million and a half of gold: or about thirty millions; and from 1817 to 1825, a period of nine years, the average annual coinage has exceeded three millions and a half, or upwards of thirty-two millions sterling.

## CHAPTER XII.

Remarks on the plans proposed in Parliament for improving the currency of the country.

SINCE the preceding pages were sent to press, Parliament have met, and the state of the currency has been matter of discussion. The general opinion seemed to be, that the circulation of the country bankers was the chief, if not the whole cause of the evils from which the public are suffering; more particularly that portion of it which consisted of notes of one and two pounds value. There can be no question that the insolvency of the country bankers, having a large amount of small notes in circulation, is an evil of great magnitude, and seriously affects the comfort of those in whose hands such notes ultimately fall. But this is a minor evil, in my opinion, to the existence of a power, which has been very frequently called into active operation, that of adding largely and unduly to the amount of the currency; originating schemes of speculation and overtrading, which in their reaction not only affect the comfort of the lowest classes, but (with the exception of annuitants and persons of fixed money incomes) all classes of the community, far beyond the failure of a few country banks. In the late panic about

70 country bankers became insolvent; and let it be supposed, that the actual loss to the holders of their notes amounted to one million and a half; which is about one-eighth of the whole country circulation in 1825. And if it be further supposed, that one half of the whole, or 750,000*l.* was held by the working classes (which I think is a liberal calculation), and if their numbers be taken at 500,000*l.* in England and Wales, their individual loss would be 1*l.* 10*s.* To a labourer with a family, I will admit, that the loss of thirty shillings is a matter of considerable consequence; but great as the injury done to him is, I think it comparatively trifling, with the sufferings he and his family endure by his being thrown out of employment, during the stagnation of trade and manufactures, following such a crisis as we have lately experienced in the money concerns of the country. But the labourers are not the only sufferers; their employers and their families suffer also; and relatively, perhaps, to a much greater extent. Their capitals are deteriorated, and numbers of them sink from respectable stations in society, to a state not much removed from their servants. For such transitions from comfort and affluence to poverty and distress, a remedy ought if possible to be found.

In the preceding pages, I have endeavoured, by facts, to trace the cause of such overwhelming distress to its origin, and I hope successfully. If it

is to be found, as I think it is, in the nature and management of our currency; the remedy can only be applied in a system that will protect the whole community from a recurrence of such extensive ruin and misery as we are now witnessing.

The remedial measures proposed by his Majesty's Government, though in themselves beneficial, will not, in my opinion, be attended with such extensive benefit as may be supposed. The introduction of joint stock banking companies, upon the Scotch system, will be as complete a check against insolvency as now exists in Scotland; and here the benefit will cease. The lower classes, indeed all classes, will be freed from the risk of the insolvency of the country banks—as much so, as if the whole country circulation were supplied by branch banks of the Bank of England.

The second measure, that of introducing gold for the one and two pound notes, will be of very little consequence, provision being made against the insolvency of the country bank; and ought to be no more necessary in England than in Scotland, under the same circumstances.

Neither measure, it appears to me, is even of the nature of a remedy for the main evil, because they do not take the power from the Bank of England of adding extensively to the currency. It is from the exercise of this power that I have endeavoured to trace the cause of general specula-

tion and overtrading, the reaction of which produces such extensive mischief throughout the community. As this in my opinion is the greatest of the two evils, I should have been glad to see the remedy extend to both.

The substitution of four or five millions of gold for the country one and two pound notes, will operate as a very slight protection against an over-issue of paper by the Bank of England. It must be remembered, that in 1793, we had a very similar failure of commercial credit to the present; and at that time, I think I am correct in stating that the Bank of England had no notes in circulation under 10*l.*, and the country bankers none under 5*l.* But even with this extensive metallic currency, we were not protected from general speculation and over-trading, the reaction of which produced such extensive calamity at that time. Mr. Tooke states in his recent work on currency,*, that in 1790, the amount of treasure possessed by the Bank was 10,097,000*l.*, and its notes in circulation amounted to 10,217,360*l.* In 1791, the Bank increased its issues by an advance to Government of 1,500,000*l.*; and it was followed by an increase of the country circulation; and I have no doubt to a greater extent than the mere issues of the Bank, upon the principle I have in the preceding pages explained. The consequence was a drain upon the Bank for gold; so that its treasure

* State of the Currency, p. 83.

by September, 1792, was reduced to 6,255,000*l.* Mr. Tooke states, that there was a further drain of nearly three millions more in the next six months, which he supposes supplied the place of the discredited notes of the country bankers. In February, 1794, the issues of the Bank amounted to 10.963,380*l.*, and in February, 1795, were increased to 13,539,160*l.*, being 2,575,780*l.* or fully 18 per cent. By the 31st December, they were further reduced to 9,204,500*l.*, being a reduction from February, 1795, of 4,334,660*l.*, and equal to 32 per cent.* There can be no surprise, with such facts as these, that the public should be subject to the mania of speculation and over-trading; nor at the re-action that follows the contraction of the currency. It was tampering with the currency that produced the dreadful crisis of 1797. If the Bank of England increased its portion of the currency 23 per cent in one year; the circulation of the country bankers, upon the principle that I have attempted to establish, would considerably exceed that of the Bank. The attempt, on the part of the Bank, to check the drain upon its coffers for gold, produces a general discredit of the country paper, as in December last; so that, in fact, to find a sufficient remedy for the unwholesome state of the currency, we should begin with the Bank of England; for it would seem that the

* See the Lords' Report of Secrecy, 1797.

evils originate with that establishment. Any remedy, therefore, that does not impart to the currency an uniform value will not be attended with prospective benefit.

The substitution, therefore, of gold for the one and two pound notes, will not protect us from an over-issue of paper. It is from this conviction I have proposed that the metallic basis of the country should be still further extended; and that no notes should be in circulation under 20*l*.. I do not say that this will protect us entirely from an over-issue of paper by the Bank of England; but it will certainly operate as a check. When the monopoly of the Bank expires, and the trade in money is perfectly free, a better order of things may arise, and more paper and less coin may be employed, with perfect security to the public; for there is no reason why the competition of capital employed in banking should not produce a steady and uniform result, alike beneficial to the public and to the capitalist. The competition of capital would protect us from any fluctuation in the current rate of interest; the circulation would be always full, but it would never be in excess; any attempt at excess would be instantaneously returned upon the Bank that made the experiment: neither would there be any deficiency, as it would be the interest of every banker to keep the circulation to the level of the value of money in other countries. A similar result would follow, as if the

whole currency were metallic; prices would be steady: capital would be freed from its present violent fluctuations in value; the wages of labour would be uniform; and there would be no transitions from comfort and affluence to poverty and want. The moral tone of the community would be improved; there would be a check to the spirit of gambling, general speculation, and over-trading. The completion of such decided improvements ought to be the aim of the legislature.

# APPENDIX.

## No. I.

An Account of the Market Price of Standard Gold and Silver, the Courses of Exchange with Hamburgh and Paris, and the Price of 3 per Cent. Consols, from Jan. 3, 1815, to Dec. 30, 1825. Extracted from Lloyd's List. First Quotation Monthly.

| | Market Price of Gold per Ounce. | | | Market Price of Silver per Ounce. | | Course of Exchange with Hamburgh, 2 ½. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. | |
|---|---|---|---|---|---|---|---|---|---|
| 1815. | £ | s. | d. | s. | d. | | | | |
| Jan. 3 | 4 | 6 | 6 | 5 | 9 | 32.4 | 22.40 | 65⅞ | R.† |
| Feb. 3 | | | | | | 32.1 | 22.10 | 65 | |
| March 3 | | | | 5 | 11½ | 32.2 | 22.0 | 63¾ | |
| April 4 | 5 | 7 | 0 | | | 28.0 | 18.80 | 57 | |
| May 2 | 5 | 6 | 0 | 6 | 9½ | 28.2 | 20.0 | 57¼ | |
| June 2* | 5 | 5 | 0 | | | 28.0 | 18.30 | 59 | |
| July 4 | 4 | 16 | 0 | | | 32.0 | 21.30 | 59 | R. |
| Aug. 1 | 4 | 11 | 0 | | | 32.2 | 21.80 | 57 | |
| Sept. 1 | 4 | 10 | 0 | | | 32.6 | 22.0 | 56⅞ | |
| Oct. 3 | 4 | 6 | 0 | 5 | 6 | 33.2 | 23.20 | 57⅛ | |
| Nov. 3 | 4 | 3 | 0 | | | 33.8 | 23.30 | 61¼ | |
| Dec. 1 | 4 | 3 | 0 | | | 34.3 | 24.0 | 61⅛ | |
| 1816. | | | | | | | | | |
| Jan. 2 | 4 | 2 | 0 | | | 34.4 | 24.10 | 59½ | R. |
| Feb. 2 | 4 | 2 | 0 | | | 34.6 | 24.40 | 61¼ | |
| March 1 | 4 | 2 | 0 | 5 | 4 | 34.9 | 24.80 | 61¼ | |
| April 2 | 4 | 2 | 0 | 5 | 2½ | 35.0 | 25.10 | 60⅝ | |
| May 3 | 4 | 0 | 0 | | | 35.10 | 25.60 | 62⅛ | |
| June 4 | 4 | 0 | 0 | 5 | 1½ | 35.10 | 25.35 | 64¼ | |
| July 2 | 4 | 0 | 0 | 5 | 0½ | 36.3 | 25.45 | 62¾ | R. |
| Aug. 2 | 3 | 19 | 0 | 5 | 0 | 36.10 | 25.80 | 63 | |
| Sept. 3 | 3 | 19 | 0 | | | 36.9 | 25.80 | 61⅜ | |
| Oct. 1 | 3 | 19 | 0 | 5 | 0 | 36.11 | 25.80 | 61¼ | |
| Nov. 1 | 3 | 18 | 6 | | | 36.8 | 25.30 | 61⅞ | |
| Dec. 3 | 3 | 18 | 6 | 4 | 11½ | 37.2 | 25.80 | 63 | |

* Bonaparte landed in France in March, 1815. The Battle of Waterloo was fought on June 18.

† When 3 per Cent. Consols are shut, 3 per Cent. Reduced Stock has been quoted.

| | Market Price of Gold per Ounce. | | | Market Price of Silver per Ounce. | | Course of Exchange with Hamburgh., 2 m. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. |
|---|---|---|---|---|---|---|---|---|
| 1817. | £ | s. | d. | s. | d. | | | |
| Jan. 3 | 3 | 18 | 6 | | | 36.7 | 25.40 | 63¼ R. |
| Feb. 4 | | | | | | 36.2 | 25.20 | 64 |
| March 4 | 3 | 18 | 6 | | | 36.6 | 25.40 | 68⅛ |
| April 1 | 3 | 18 | 6 | | | 36.2 | 25.20 | 72½ |
| May 2 | | | | | | 35.5 | 24.70 | 72⅝ |
| June 3 | 3 | 19 | 0 | | | 35. | 24.60 | 73 |
| July 1 | 3 | 19 | 0 | | | 35.5 | 24.80 | 75¼ R. |
| Aug. 1 | 4 | 0 | 0 | 5 | 3½ | 34.8 | 24.30 | 79⅛ |
| Sept. 2 | | | | | | 35. | 24.40 | 79⅜ |
| Oct. 3 | 4 | 0 | 0 | | | 35.2 | 24.40 | 81¼ |
| Nov. 4 | 4 | 0 | 0 | 5 | 3½ | 34.10 | 24.40 | 82⅞ |
| Dec. 2 | | | | 5 | 3½ | 34.7 | 24.40 | 83⅝ |
| 1818. | | | | | | | | |
| Jan. 2 | 4 | 0 | 6 | | | 34.6 | 24.40 | 81 R. |
| Feb. 3 | | | | | | 34.2 | 24.20 | 79 |
| March 3 | | | | 5 | 4 | 34. | 24. | 78⅛ |
| April 3 | 4 | 1 | 0 | 5 | 4 | 34.3 | 24.20 | 80 |
| May 1 | 4 | 2 | 6 | | | 34.3 | 24.20 | 79½ |
| June 2 | 4 | 1 | 6 | 5 | 5½ | 34. | 24.5 | 79 |
| July 3 | | | | 5 | 5 | 34.5 | 24.30 | 78⅜ R. |
| Aug. 4 | | | | 5 | 5 | 34.2 | 24.20 | 77¼ |
| Sept. 1 | | | | 5 | 4½ | 34.6 | 24.40 | 73½ |
| Oct. 2 | 4 | 1 | 6 | 5 | 4½ | 34.9 | 24.70 | 75¼ |
| Nov. 3 | | | | 5 | 4½ | 34.2 | 24.45 | 77½ |
| Dec. 1 | | | | 5 | 6 | 33.8 | 23.65 | 79 |
| 1819. | | | | | | | | |
| Jan. 1 | | | | 5 | 5½ | 33.8 | 23.50 | 78 R. |
| Feb. 2 | | | | 5 | 7 | 33.7 | 23.50 | 78 |
| March 2 | 4 | 1 | 6 | | | 34. | 23.70 | 73 |
| April 2 | 4 | 1 | 0 | | | 34.4 | 23.95 | 74⅝ |
| May 4 | | | | 5 | 6 | 34.3 | 23.90 | 72 |
| June 4 | | | | 5 | 2½ | 35.2 | 24.85 | 66½ |
| July 2 | | | | 5 | 2 | 35.8 | 25. | 67½ R. |
| Aug. 3 | 3 | 18 | 0 | 5 | 2 | 35.11 | 25.10 | 71⅛ |
| Sept. 3 | | | | 5 | 2 | 36.2 | 25.10 | 71½ |
| Oct. 1 | 3 | 17 | 10½ | 5 | 2 | 36.9 | 25.55 | 69¾ |
| Nov. 2 | 3 | 18 | 6 | 5 | 2 | 35.11 | 25.5 | 67¼ |
| Dec. 3 | 3 | 18 | 0 | 5 | 2 | 36.0 | 25.10 | 67 |

| | Market Price of Gold per Ounce. | | | Market Price of Silver per Ounce. | | Course of Exchange with Hamburgh, 2⅓. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. | |
|---|---|---|---|---|---|---|---|---|---|
| 1820. | £ | s. | d. | s. | d. | | | | |
| Jan. 4 | 3 | 17 | 10½ | 5 | 2 | 36. | 24.95 | 68 | R. |
| Feb. 1 | 3 | 17 | 10½ | 5 | 2 | 36.1 | 25.5 | 67⅝ | |
| March 3 | 3 | 17 | 10½ | 5 | 1½ | 36.4 | 25.20 | 68¾ | |
| April 4 | 3 | 17 | 10½ | 5 | 1 | 36.7 | 25.40 | 68½ | |
| May 2 | 3 | 17 | 10½ | 5 | 0½ | 36.9 | 25.50 | 69⅓ | |
| June 2 | 3 | 17 | 10½ | 5 | 0½ | 37. | 25.70 | 69¾ | |
| July 4 | 3 | 17 | 10½ | 5 | 0 | 37.3 | 25.80 | 69 | R. |
| Aug. 1 | 3 | 17 | 10½ | 5 | 0 | 37.6 | 25.80 | 68½ | |
| Sept. 1 | 3 | 17 | 10½ | 4 | 11½ | 37.6 | 25.70 | 67⅝ | |
| Oct. 3 | 3 | 17 | 10½ | 4 | 11½ | 37.8 | 25.80 | 66½ | |
| Nov. 3 | 3 | 17 | 10½ | 4 | 11½ | 37.7 | 25.80 | 67¾ | |
| Dec. 1 | 3 | 17 | 10½ | 4 | 11½ | 37.7 | 25.70 | 69¾ | |
| 1821. | | | | | | | | | |
| Jan. 2 | 3 | 17 | 10½ | | | 38.1 | 25.75 | 70⅛ | R. |
| Feb. 2 | 3 | 17 | 10½ | 4 | 11½ | 38.2 | 25.75 | 71⅝ | |
| March 2 | 3 | 17 | 10½ | 4 | 11½ | 38.2 | 25.80 | 72⅞ | |
| April 3 | 3 | 17 | 10½ | 4 | 11 | 38.7 | 25.80 | 72½ | |
| May 1 | 3 | 17 | 10½ | 4 | 11 | 38.7 | 25.80 | 72⅜ | |
| June 1 | 3 | 17 | 10½ | 4 | 10 | 38.8 | 25.80 | 77 | |
| July 3 | 3 | 17 | 10½ | 4 | 10½ | 38.10 | 25.85 | 76⅛ | R. |
| Aug. 3 | 3 | 17 | 10½ | 4 | 11 | 38.2 | 25.55 | 75¼ | |
| Sept. 4 | 3 | 17 | 10½ | 4 | 11 | 38.2 | 25.70 | 76 | |
| Oct. 2 | 3 | 17 | 10½ | | | 37.10 | 25.70 | 76¼ | |
| Nov. 2 | 3 | 17 | 10½ | 4 | 11 | 37.10 | 25.60 | 78 | |
| Dec. 4 | 3 | 17 | 10½ | 4 | 11½ | 37.6 | 25.60 | 77⅛ | |
| 1822. | | | | | | | | | |
| Jan. 1 | 3 | 17 | 10½ | 4 | 11½ | 37.6 | 25.60 | 75⅞ | |
| Feb. 1 | 3 | 17 | 10½ | | | 37.5 | 25.40 | 76½ | |
| March 1 | 3 | 17 | 10½ | 4 | 11 | 37.4 | 25.40 | 79 | |
| April 2 | 3 | 17 | 10½ | 4 | 11½ | 37.2 | 25.30 | 79½ | |
| May 3 | 3 | 17 | 10½ | | | 37.2 | 25.20 | 79 | |
| June 4 | 3 | 17 | 10½ | | | 37.8 | 25.35 | 79½ | |
| July 2 | 3 | 17 | 6 | 4 | 11 | 38.2 | 25.70 | 80 | R. |
| Aug. 2 | 3 | 17 | 6 | 4 | 11¼ | 37.8 | 25.45 | 80¼ | |
| Sept. 3 | 3 | 17 | 6 | 4 | 11¼ | 38. | 25.60 | 80¼ | |
| Oct. 1 | 3 | 17 | 6 | 4 | 11¼ | 38. | 25.60 | 81¼ | |
| Nov. 1 | 3 | 17 | 6 | | | 37.8 | 25.50 | 82⅛ | |
| Dec. 3 | 3 | 17 | 6 | 4 | 11½ | 37.7 | 25.50 | 79½ | |

| | Market Price of Gold per Ounce. | Market Price of Silver per Ounce. | Course of Exchange with Hamburgh, 2 ½. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. |
|---|---|---|---|---|---|
| 1823. | £ s. d. | s. d. | | | |
| Jan. 3 | 3 17 6 | 4 11¼ | 37.8 | 25.65 | 80 R. |
| Feb. 4 | 3 17 6 | | 37.8 | 25.50 | 76¼ |
| March 4 | 3 17 6 | 4 11¼ | 38.4 | 25.80 | 73¼ |
| April 1 | 3 17 6 | 4 11¼ | 38.2 | 25.90 | 74⅜ |
| May 2 | 3 17 6 | 4 10¾ | 38.3 | 25.90 | 78¼ |
| June 3 | 3 17 6 | | 38.4 | 25.90 | 80⅜ |
| July 1 | 3 17 6 | 4 11 | 38. | 25.80 | 81⅛ R. |
| Aug. 1 | 3 17 6 | | 38.2 | 25.80 | 81⅛ |
| Sept. 2 | 3 17 6 | 4 11 | 38.2 | 25.85 | 82⅛ |
| Oct. 3 | 3 17 6 | 4 11 | 38.2 | 25.90 | 83¼ |
| Nov. 4 | 3 17 6 | | 37.10 | 25.80 | 83¼ |
| Dec. 2 | 3 17 6 | | 37.8 | 25.70 | 84⅛ |
| 1824. | | | | | |
| Jan. 2 | 3 17 6 | 4 11½ | 37.8 | 25.65 | 87 R. |
| Feb. 3 | 3 17 6 | 4 11½ | 37.5 | 25.60 | 90⅜ |
| March 2 | 3 17 6 | 4 11½ | 37.5 | 25.60 | 93½ |
| April 2 | 3 17 6 | 4 11½ | 37.7 | 25.60 | 95 |
| May 4 | 3 17 6 | | 37.6 | 25.40 | 96¼ |
| June 1 | 3 17 6 | 4 11¾ | 37.6 | 25.45 | 94½ |
| July 2 | 3 17 6 | 4 11¾ | 37.4 | 25.50 | 94¾ R. |
| Aug. 3 | 3 17 6 | | 37.4 | 25.25 | 92¼ |
| Sept. 3 | 3 17 6 | | 36.11 | 25.20 | 93¾ |
| Oct. 1 | 3 17 6 | 5 0½ | 37.1 | 25.30 | 95½ |
| Nov. 2 | 3 17 8 | | 37. | 25.20 | 96⅛ |
| Dec. 3 | 3 17 9 | 5 0½ | 36.10 | 25.15 | 95 |
| 1825. | | | | | |
| Jan. 4 | 3 17 9 | 5 0½ | 37. | 25.15 | 94½ R. |
| 7 | 3 17 9 | 5 0½ | 37. | 25.15 | 94½ |
| 11* | 3 17 9 | 5 0½ | 37. | 25.15 | 93⅞ |
| 14 | 3 17 9 | 5 0½ | 37. | 25.15 | 93¾ |
| 18 | 3 17 9 | | 36.10 | 25.15 | 94⅛ |
| 21 | 3 17 9 | | 36.10 | 25.15 | 94 |
| 25 | 3 17 9 | | 36.10 | 25.15 | 94¼ |
| 28 | 3 17 9 | | 37. | 25.15 | 93⅝ |

* New Doubloons are quoted this day at £3 17*s.* They are inferior to Standard Gold £4 10*s.* ½*d.* per ounce, which would make the price £4 1*s.* 10½*d.* per ounce.

| | Market Price of Gold per Ounce. | | | Market Price of Silver per Ounce. | | Course of Exchange with Hamburgh, 2 m. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. | |
|---|---|---|---|---|---|---|---|---|---|
| 1825. | £ | s. | d. | s. | d. | | | | |
| Feb. 1 | 3 | 17 | 9 | | | 37. | 25.15 | 93¼ | |
| 4 | 3 | 17 | 9 | | | 37.1 | 25.15 | 93⅝ | |
| 8 | 3 | 17 | 9 | 5 | 0¾ | 37.1 | 25.15 | 93¾ | |
| 11 | 3 | 17 | 9 | 5 | 0¾ | 37.1 | 25.15 | 93¾ | |
| 15 | 3 | 17 | 9 | 5 | 0¾ | 37.1 | 25.15 | 94 | |
| 18 | 3 | 17 | 9 | 5 | 0¾ | 37.1 | 25.15 | 93¾ | |
| 22 | 3 | 17 | 9 | 5 | 0¾ | 37. | 25.15 | 94 | |
| 25 | 3 | 17 | 9 | 5 | 0¾ | 36.11 | 25.15 | 93⅞ | |
| March 1 | 3 | 17 | 9 | | | 36.11 | 25.15 | 93¾ | |
| 4 | 3 | 17 | 9 | | | 36.11 | 25.15 | 93¼ | |
| 8 | 3 | 17 | 9 | | | 36.11 | 25.15 | 93¼ | |
| 11 | 3 | 17 | 9 | 5 | 0¾ | 36.11 | 25.15 | 93⅜ | |
| 15 | 3 | 17 | 9 | | | 36.10 | 25.15 | 93⅛ | |
| 18 | 3 | 17 | 9 | | | 36.10 | 25.15 | 93⅝ | |
| 22 | 3 | 17 | 9 | 5 | 1 | 36.10 | 25.15 | 93¼ | |
| 25 | 3 | 17 | 9 | 5 | 1 | 36.10 | 25.15 | 93¼ | |
| 28 | 3 | 17 | 9 | 5 | 1 | 36.11 | 25.15 | 93 | |
| 31 | 3 | 17 | 9 | 5 | 1 | 36.10 | 25.20 | 93⅛ | |
| April 5 | 3 | 17 | 9 | 5 | 1 | 36.10 | 25.20 | 93¼ | |
| 12 | 3 | 17 | 9 | 5 | 1 | 36.9 | 25.15 | 92⅞ | |
| 19 | 3 | 17 | 9 | 5 | 1 | 36.6 | 25.15 | 91¾ | |
| 26 | 3 | 17 | 9 | 5 | 1 | 36.6 | 25.15 | 92⅝ | |
| May 3 | 3 | 17 | 10½ | 5 | 1 | 36.6 | 25.15 | 91⅝ | |
| 10 | | | | 5 | 1 | 36.9 | 25.15 | 91½ | |
| 17 | 3 | 17 | 9 | 5 | 1 | 36.9 | 25.20 | 89 | |
| 24 | 3 | 17 | 9 | 5 | 1 | 36.9 | 25.20 | 90 | |
| 31 | 3 | 17 | 10½ | 5 | 0¾ | 36.9 | 25.20 | 89½ | |
| June 7 | 3 | 17 | 10½ | 5 | 0¾ | 36.9 | 25.20 | 90⅛ | R. |
| 14 | 3 | 17 | 10½ | 5 | 0½ | 36.10 | 25.20 | 90 | R. |
| 21 | 3 | 17 | 10½ | 5 | 0½ | 36.10 | 25.20 | 90⅝ | R. |
| 28 | 3 | 17 | 10½ | 5 | 0½ | 36.10 | 25.20 | 90¼ | R. |
| July 5 | 3 | 17 | 10½ | 5 | 0½ | 36.10 | 25.20 | 90¾ | R. |
| 12 | 3 | 17 | 10½ | | | 36.10 | 25.20 | 90⅛ | |
| 19 | 3 | 17 | 10½ | | | 36.10 | 25.20 | 90 | |
| 26 | 3 | 17 | 10½ | | | 36.10 | 25.25 | 90¾ | |
| Aug. 2 | 3 | 17 | 10½ | 5 | 0¾ | 36.10 | 25.25 | 90¼ | |
| 9 | 3 | 17 | 10½ | 5 | 0¾ | 36.10 | 25.25 | 90¾ | |
| 16 | 3 | 17 | 10½ | 5 | 1 | 36.10 | 25.25 | 89½ | |
| 23 | 3 | 17 | 10½ | 5 | 1 | 36.10 | 25.25 | 89¾ | |
| 30 | 3 | 17 | 10½ | 5 | 1 | 36.10 | 25.25 | 87¼ | |

| | Market Price of Gold per Ounce. | | | Market Price of Silver per Ounce. | | Course of Exchange with Hamburgh, 2 ℓ. | Course of Exchange with Paris, 1 day's del. | Price of 3 per Cent. Consols. |
|---|---|---|---|---|---|---|---|---|
| 1825. | £ | s. | d. | s. | d. | | | |
| Sept. 2 | 3 | 17 | 10½ | 5 | 1 | 36.10 | 25.25 | 86⅞ 7⅛ |
| 9 | 3 | 17 | 10½ | 5 | 1 | 37. | 25.25 | 88¼ |
| 16 | 3 | 17 | 10½ | 5 | 1 | 37. | 25.25 | 88¼ |
| 23 | 3 | 17 | 10½ | 5 | 1 | 37. | 25.25 | 88¼ |
| 30 | | | | 5 | 1 | 37. | 25.30 | 88 |
| Oct. 7 | 3 | 17 | 6 | 5 | 1 | 37.2 | 25.40 | 88⅛ |
| 14 | 3 | 17 | 6 | 5 | 1 | 37.1 | 25.35 | 88⅛ |
| 21 | 3 | 17 | 8 | 5 | 1 | 37.1 | 25.20 | 87¾ |
| 28 | | | | 5 | 1 | 37.1 | 25.30 | 87¾ |
| Nov. 4 | 3 | 17 | 9 | | | 37. | 25.30 | 87¼ |
| 11 | 3 | 17 | 10½ | 5 | 1¼ | 36.10 | 25.25 | 87 |
| 18 | 3 | 17 | 10½ | 5 | 1¼ | 36.9 | 25.20 | 85¼ |
| 25 | 3 | 17 | 10½ | 5 | 1¼ | 37. | 25.20 | 84 |
| Dec. 2 | 3 | 17 | 6 | 5 | 1¼ | 37.2 | 25.25 | 83 |
| 9 | 3 | 17 | 6 | 5 | 1 | 37.6 | 25.35 | 82½ R. |
| 16 | 3 | 17 | 6 | 5 | 0¾ | 38. | 25·55 | 78 75½ 79 & 80 |
| 23 | 3 | 17 | 6 | 5 | 0½ | 37.11 | 25.50 | 80 |
| 30 | 3 | 17 | 6 | 5 | 0½ | 37.8 | 25.20 | 81 |

# No. II.

An Account of the Number of Country Bank Notes, of all denominations, stamped in each Year, ending Oct. 10, from 1804 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding, together with an estimate of the total amount in circulation, according to Mr. Sedgwick's Tables, in each Year, from 1804 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding.

| | The amount of Country Bank Notes of all denominations stamped in each Year ending Oct. 10, from 1804 to 1825. | The per Centage of increase comparing each Year with the Year preceding. | The per Centage of decrease comparing each Year with the Year preceding. | The amount of Country Bank Notes in circulation according to Mr. Sedgwick's Tables, in each Year ending Oct. 10, from 1804 to 1825 inclusive. | The per Centage of increase comparing each Year with the Year preceding. | The per Centage of decrease comparing each Year with the Year preceding. |
|---|---|---|---|---|---|---|
| 1805 | 11,342,413 | | | | | |
| 1806 | 11,480,547 | $1\frac{2}{10}$ | | | | |
| 1807 | 6,587,398 | | $42\frac{6}{10}$ | 18,021,900 | | |
| 1808 | 8,653,077 | $23\frac{8}{10}$ | | 16,871,524 | | $6\frac{3}{10}$ |
| 1809 | 15,737,986* | $81\frac{8}{10}$ * | | 23,702,493 | $40\frac{5}{10}$ | |
| 1810 | 10,517,519 | | $33\frac{1}{10}$ | 23,893,868 | $\frac{8}{10}$ | |
| 1811 | 8,792,433 | | $16\frac{4}{10}$ | 21,453,000 | | $1\frac{6}{10}$ |
| 1812 | 10,577,134 | $20\frac{3}{10}$ | | 19,944,000 | | 7 |
| 1813 | 12,615,509 | $19\frac{2}{10}$ | | 22,597,000 | $13\frac{3}{10}$ | |
| 1814 | 10,773,375 | | $14\frac{6}{10}$ | 22,709,000 | $\frac{5}{10}$ | |
| 1815 | 7,624,949 | | $29\frac{2}{10}$ | 19,011,000 | | $16\frac{3}{10}$ |
| 1816 | 6,423,466 | | $15\frac{7}{10}$ | 15,096,000 | | $20\frac{6}{10}$ |
| 1817 | 9,075,958 | $41\frac{1}{10}$ | | 15,898,000 | $5\frac{3}{10}$ | |
| 1818 | 12,316,868 | $35\frac{7}{10}$ | | 20,507,000 | 29 | |
| 1819 | 6,130,313 | | $50\frac{2}{10}$ | 17,366,875 | | $15\frac{3}{10}$ |
| 1820 | 3,574,894 | | $41\frac{7}{10}$ | 11,767,391 | | $32\frac{2}{10}$ |
| 1821 | 3,987,582 | $11\frac{5}{10}$ | | 8,414,281 | | $28\frac{5}{10}$ |
| 1822 | 4,217,241 | $5\frac{7}{10}$ | | 8,067,260 | | $4\frac{1}{10}$ |
| 1823 | 4,657,589 | $10\frac{4}{10}$ | | 8,798,277 | 9 | |
| 1824 | 6,093,367 | $30\frac{8}{10}$ | | 10,604,172 | $20\frac{5}{10}$ | |
| 1825 | 8,532,438 | 40 | | 14,147,211 | $33\frac{4}{10}$ | |

* In 1809 the duty on 1*l.* notes was increased from 3*d.* to 4*d.* and may account for the great increase in this year, the notes bearing a 3*d.* stamp being no longer issuable.

C. Baldwin, Printer,
New Bridge Street, London.

THE

# MEASURE OF VALUE

## STATED AND ILLUSTRATED,

WITH

AN APPLICATION OF IT TO THE ALTERATIONS IN THE VALUE OF THE ENGLISH CURRENCY SINCE 1790.

By the Rev. T. R. MALTHUS, M.A. F.R.S.

PROFESSOR OF HISTORY AND POLITICAL ECONOMY IN THE EAST INDIA COLLEGE, HERTFORDSHIRE.

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# INTRODUCTION.

It may, perhaps, excite some degree of surprize that I should propose, as if it were new, a measure of value, which will be found to be the same as that which has been brought forward by Adam Smith.

My reasons are the following:—

1st. In laying down labour as a measure of value, it is allowed that he does not make it quite clear, whether he means the labour which is worked up in a commodity, or the labour which it will command; yet they are essentially different.

2dly. In his elaborate inquiry into the value of silver during the four last centuries, he uses corn as his measure, not labour; and arrives at conclusions entirely different from those which would have been the consequence of his using labour.

3dly. In a case where he specifically states that the money price of labour has risen, he still says, that the value of silver has risen,* which is a direct and express rejection of labour as a measure of value; although he has, in another place, spoken of it as the only universal and accurate measure, and "the only standard by which we can compare the values of different commodities, at all times and at all places."†

4thly. His reasonings on the subject of the constant value of labour, combined with his application of them, seem rarely to have produced conviction, so that there is no distinguished work on political economy known to me in which labour, in the sense most frequently used by Adam Smith, is considered as a standard measure of value, the prevailing opinion being that no such standard is to be found, in which opinion I concurred.‡

* Book i. c. xi. p. 313, sixth edition.

† Book i. c. v. p. 54, sixth edition.

‡ Mr. Ricardo has proposed labour as the standard of value, but most expressly rejected the sense in which Adam Smith mainly applies it.

Under these circumstances, having, by a process quite different from that of Adam Smith, and dependent on doctrines relating to the gradations of soil, which were not noticed by him, arrived at the conclusion, that the labour which commodities will command may be considered as a standard measure of their natural and exchangeable value, I have thought myself justifiable in publishing my view of the subject in its present form.

# THE MEASURE OF VALUE.

It is generally allowed that the word value, in common language, has two different meanings; one, value in use, the other, value in exchange; the first expressing merely the usefulness of an object in supplying the most important wants of mankind, without reference to its power of commanding other objects in exchange; and the second expressing the power of commanding other objects in exchange, without reference to its usefulness in supplying the most important wants of mankind.

It is obviously value in the last sense, not the first, with which the science of Political Economy is mainly concerned.

But the power of one object to command another in exchange, or in other words the power of purchasing, may obviously arise either from causes affecting the object itself, or the commodities against which it is exchanged.

In the one case, the value of the object itself may properly be said to be affected; in the other, only the value of the commodities which it purchases; and if we could suppose any object always to remain of the same value, the comparison of other commodities with this one would clearly show, which had risen, which had fallen, and which had remained the same. The value of any commodity estimated in a measure of this kind might with propriety be called its absolute or natural value; while the value of a commodity estimated in others which were liable to variation, whether they were one or many, could only be considered as its nominal or relative value, that is, its value in relation to any particular commodity, or to commodities in general.

That a correct measure of the power of purchasing generally, or of commanding such important commodities as the necessaries and conveniences of life, in whatever way such power might arise, would be very desirable, cannot for a moment be doubted, as it would at once enable us to form a just estimate and comparison of wages, salaries, and revenues, in all countries, and at all periods. But when we consider what such a measure implies, we must feel certain that no one object exists, or can be supposed to exist,

with such qualities as would fit it to become a standard measure of this kind. It would imply steadiness of value, not merely in one object, but in a great number, which is contrary to all theory and experience.

Whether there is any object, which, though it cannot measure the power of purchasing generally under the varying facilities of production and varying state of the demand and supply by which different commodities are affected, may be a correct measure of absolute and natural value as above described, is the specific object of the present inquiry.

It follows directly, from the principles of Adam Smith, that the conditions of the supply of the great mass of commodities are, that the returns should be sufficient to pay the wages, profits and rents necessary to their production. If these payments be made in money at the ordinary rates of the time, they form what Adam Smith calls their natural prices. Money however we know is variable. But if for money we substitute the objects necessary to give the producer the same power of production and accumulation as the natural money prices would have commanded, such returns may be considered as the natural conditions of the supply of commodities, and may with pro-

priety be denominated their natural value, in contradistinction to their natural price.

Of these three conditions of supply, or elements of natural value, the two first are obviously the most important. They are not only the sole conditions of supply in those early stages of society before the appropriation of land has taken place, but they continue to be so in reference to large classes of objects in the most advanced stages of improvement; and it is now generally acknowledged that even the main vegetable food of an improving country, which is the foundation of wages, must necessarily be of the same value as that part of the produce which is almost exclusively resolvable into wages and profits, and pays very little rent.

We cannot therefore essentially err in assuming for the present that the natural value of objects in their more simple forms is composed of labour and profits,* and the effect of any portion of rent, or of other ingredients which are sometimes added to these elements, may be allowed for subsequently.

* Mr. Ricardo, speaking of the commodities produced by the capitalist, says, " their whole value is divided into two portions only: one constitutes the profits of stock; the other the wages of labour." (p. 107. 3d edit.) The language of Mr. Mill, in his *Elements of Political Economy*, is similar.

We may also consider as a postulate which will be readily granted, that any given quantity of labour must be of the same value as the wages which command it, or for which it actually exchanges.

Of the two main elements of value, labour and profits, the former, particularly if we include, as we ought to do, accumulated as well as immediate labour, is much the largest and most powerful.

The great instrument of production is labour. There is no commodity nor implement used to assist manual exertions in which it does not enter as a condition of supply, and very few in which it does not enter very largely. If in the production of commodities and of the implements which assist in this production, no other ingredient were required than labour, and the interval between the exertion of the labour and its remuneration in the completed commodity were so inconsiderable that it might be entirely disregarded, it is certain that, as the same quantity of labour would have a constant tendency to produce commodities in the same relative proportion to each other, and to the demand for them, they would be found on an average to exchange with each other according to the

quantity of labour which had been employed to obtain them.

Thus if ten mackerel were, on an average, obtained by the same quantity of labour as two soals, it would be necessary, in order to continue the supply of both in the market, that the value of a soal should be five times as great in the power of purchasing similar commodities, as the value of a mackerel; because if it were less, none would apply themselves to the catching of soals; and though it is quite certain that at any given period the relative value of soals and mackerel would be exclusively determined by the state of the demand and supply of each; and that they would, in consequence, often vary very considerably; yet it is as certain, that on the supposition of the hypothesis being correct, and that they both continued to be brought to market, each would on an average be supplied in such a quantity, compared with the demand for it, that a soal would ordinarily exchange for five mackerel, and the different quantities of labour required to produce them would, in this case, be a correct measure both of their natural and relative value in exchange.

Now supposing that the skill and power of the labourers were so to increase, that, in the

same time and with the same personal exertions, they could obtain three soals and fifteen mackerel, it is obvious that the relative value of soals to mackerel would remain the same, but they would both have essentially altered their value compared with all those commodities which still required the same quantity of labour to produce the same supply of them. With regard to such commodities, soals and mackerel would have become of less value, and consequently they would have become of less value with regard to a given quantity of labour. The correct language in this case would be, not that labour had become dearer, but that soals and mackerel had become cheaper. And if the same increase of skill and power could be conceived to extend to all other commodities, and all commodities were similarly circumstanced as to their mode of production and bringing to market; it cannot be doubted, that though they might retain the same relative value compared with each other, they would all become more plentiful with regard to the wants of the society, and any given quantity of labour. And the correct language would still be, not that labour had become dearer, but that all commodities had become cheaper. This fall would be a fall in the absolute and natural value of commodities;

and as long as labour alone was concerned in their production, and they were brought to market immediately, it would be allowed that the different quantities of labour employed upon them would be a correct measure both of their relative value compared with each other, and of their absolute and natural value in reference to the conditions of their supply. Their natural values would be exactly represented by the different quantities of labour worked up in them; while their natural prices would be these different quantities of labour estimated in money, according to the money price of the labour employed.

But at a very early period of society a considerable interval must elapse between the exertion of some sorts of labour and the completion of the article on which they are employed. And the next simplest form of production, beyond the result of mere labour, is that, where, in addition to the labour employed directly on the commodity and on the simple tools necessary to its production, the condition of the supply requires that a certain compensation be made in the final remuneration for the time which has elapsed from the period of the advances of the labour, to the period when the labourer, or capitalist, can be remunerated. This compensa-

tion, which equally applies to the formation of the capital, as to the products to be obtained by it, is the profit which must be paid on the advances of the labour, and is absolutely necessary to the encouragement of such advances.

But in this state of things commodities would cease to exchange with each other according to the quantity of labour employed upon them. Some commodities, on which the same quantity of accumulated and immediate labour had been employed, would be of a different exchangeable value, on account of the different quantity of profits which had entered into their composition; while others, on which different quantities of accumulated and immediate labour had been employed, might be of the same exchangeable value, on account of the greater quantity of profits of which they were composed being balanced by the smaller quantity of labour advanced to produce them.

In the earliest stages of society accumulations of capital are very rare, and profits may be extremely high, perhaps forty or fifty per cent. If under these circumstances the construction of a war canoe were to take two years before it were fit for use, it is evident that its value in exchange would be prodigiously enhanced by such profits. Compared with a

number of deer which might have cost exactly the same quantity of accumulated and immediate labour to bring to market, the canoe would be seventy or eighty per cent. of greater value; and on the fall of profits from forty or fifty per cent. to ten per cent. in the progress of society, an object of this kind might fall in value sixty or seventy per cent. compared with such objects as deer or fish, without any difference in the quantity of labour employed upon either.

It is observed by Adam Smith that corn is an annual crop, butchers' meat a crop which requires four or five years to grow; and consequently, if we compare two quantities of corn and beef which are of equal exchangeable value, it is certain that a difference of three or four additional years profit at fifteen per cent. upon the capital employed in the production of the beef would, exclusively of any other considerations, make up in value for a much smaller quantity of labour, and thus we might have two commodities of the same exchangeable value, while the accumulated and immediate labour of the one was forty or fifty per cent. less than that of the other. This is an event of daily occurrence in reference to a vast mass of the most important commodities in the country; and if profits were to fall from fifteen per cent.

to eight per cent. the value of beef compared with corn would fall above twenty per cent.

When commodities are obtained by the assistance of a large proportion of fixed capital of a very durable nature, the advances are only consumed in part, and the whole produce of the accumulated and immediate labour employed must be considered as composed of the new produce obtained, together with the remainder of the fixed capital which is unconsumed.* In reference to the separate value of the new produce, this will be the same as if to the labour actually worked up in such produce were added the profits of the whole capital advanced. It sometimes happens that the proportion of value arising from these profits is very considerable; and commodities so produced will necessarily have much less labour worked up in them, and will be much more affected in their value by a rise or fall of profits, than those which are composed mainly of immediate labour.

Thus, if a commodity were produced by the aid of accumulated labour in machinery worth £2,000, the annual wear and tear of which was

* This is very properly stated by Colonel Torrens, in his *Production of Wealth*, c. 1. p. 28.

one-twentieth, or £100, and the labour employed on cheap materials and in the working of the machinery were worth £200, while profits were 20 per cent. then the value of the labour worked up in the commodity would be £100 added to £200, equal to £300; and the whole capital advanced being £2,300, the profits upon it would be £460, which, added to £300 would make the whole value of the produce £760. Compared with a commodity of equal value which had been produced without fixed capital, and had yet been brought to market in the same time and with the same rate of profits, it would contain less than half of the labour worked up in it; while, if profits were to fall from 20 per cent. to 10 per cent. the value of the commodity would fall in the proportion of from £760 to £530, or, if profits had been 10 per cent. and were to rise to 20 per cent. the value of the commodity would rise in the proportion of from £530 to £760, or above 42 per cent., without any change in the quantity of labour employed.*

* The effects of slow or quick returns, and of the different proportions of fixed and circulating capitals, are distinctly allowed by Mr. Ricardo; but in his last edition, (the third, p. 32.) he has much underrated their amount. They are both theoretically and practically so considerable as entirely to destroy the position that commodities exchange with each other according to

It must be allowed, then, that whenever two elements are necessary to the supply, and enter into the composition of commodities, their value cannot depend exclusively upon one of them, except by accident, or when the other can be considered as a given or common quantity. But it is universally acknowledged, that the great mass of commodities in civilized and improved countries is made up at the least of two elements—labour and profits; consequently, the exchangeable value of commodities into which these two elements enter as the conditions of their supply, will not depend exclusively upon the quantity of labour employed upon them, except in the very peculiar cases when both the returns of the advances and the proportions of fixed and circulating capitals are exactly the same.

It cannot, then, be said with any thing like an approximation towards correctness, that the labour worked up in commodities is the measure of their exchangeable value.

But if to the accumulated and immediate la-

the quantity of labour which has been employed upon them; but no one that I am aware of has ever stated that the different quantity of labour employed on commodities is not a much more powerful source of difference of value.

bour worked up in commodities, we add the profits upon the whole advances for the time that they are advanced, we shall then make the proper allowance for the other element of value, and may expect to obtain a more accurate measure. If we had estimated the value of the labour advanced in money, or any other medium, we should of course estimate the profits in the same medium, and the natural price of the commodity estimated in such medium, would obviously be equal to the price of the accumulated and immediate labour expended on the commodity, together with the ordinary profits estimated upon such advances. But if, with a view to the natural conditions of supply, we consider only the quantity of labour advanced, without reference to any other medium, we must of course estimate the profits in quantity of labour also, which will give us an amount of labour in proportion to which commodities will be found to exchange with each other, just in the same way as they would exchange with each other according to the quantity of labour employed on them, if labour had been the sole ingredient which had entered into their composition.

'Thus, if a hundred days labour were employed upon a commodity, at two shillings a day, and

the average interval between the advance of such wages and the period when the commodity could be brought to sale were a year, and profits were 20 per cent. the price of the commodity would be £12, while the price of a commodity which had cost the same quantity of labour of the same kind, and could be brought to market immediately, would be only £10. And it is equally certain, that, if putting money or any other medium of exchange out of the question, we had estimated the profits for a year upon the advances of the hundred days labour actually employed, we should obtain a quantity of labour which, compared with the labour employed on the commodity sold immediately, would be in the proportion of 120 to 100, and expressing the relative conditions of supply, would accurately measure the rate at which the two commodities obtained under these different circumstances would exchange with each other.

It appears, then, that in the same country, and at the same time, the exchangeable value of those commodities which can be resolved into labour and profits alone, would be accurately measured by the quantity of labour which would result from adding to the accumulated and immediate labour actually worked up in them the varying amount of the profits on all

the advances estimated in labour. But this must necessarily be the same as the quantity of labour which they will command, as appears from the instances above stated, and will be more fully shown farther on; and where the precious metals may be considered for short periods as of a uniform value, the conformity of this measure with the proportions of money prices at which commodities would be exchanging all around us, might daily be brought to the test of experience and be established beyond the possibility of doubt.

It will be said, perhaps, that in the same place, and at the same time, almost every commodity may be considered as an accurate measure of the relative value of others, and that what is true of labour in this respect is true of cloth, cotton, iron, or any other article. Any two commodities which, at the same time, and in the same place, will purchase or command the same quantity of cloth, cotton, or iron, of a given quality, will have the same relative value, or will exchange with each other.

This will be readily granted, if we take the same time and place exactly, and consider only relative value; but not if either any latitude be allowed as to time and place, or if we consider, as it is our object to do, not merely relative, but

absolute and natural value. Cloth, cotton, iron, and similar commodities, are subject to vary most essentially in a single year, or even month, so that the manufacturer who could obtain for his goods the same quantity of cloth as he could the year before, would be very little likely to obtain the same quantity of other articles. But even supposing that these articles and the product of the capitalist were to continue of the same relative value to each other, he might still be quite unable to carry on his business. The conditions of the supply of commodities do not require that they should retain always the same relative values, but that each should retain its proper *natural* value, or the means of obtaining those objects which will continue to the producer the same power of production and accumulation. If the advances of capitalists consisted specifically in cloth, then these advances would always have the effect required in production; and as profits are calculated upon the advances necessary to production, whatever they may be, the quantity of cloth advanced, with the addition of the ordinary profits estimated also in quantity of cloth, would represent both the natural and relative value of the commodity. But the specific advances of capitalists do not consist of cloth, but of labour;

and as no other object whatever can represent a given quantity of labour, it is obvious that labour stands quite alone in this respect, and that it is the quantity of *labour* which a commodity will command, and not the quantity of any other commodity, which can represent the conditions of its supply, or its natural value.*

It will be allowed, then,

First, that when commodities are obtained by labour alone, and sold immediately, they will, on an average, exchange with each other according to the quantity of labour employed upon them.

Secondly, that when profits are concerned, and differ either in rate or quantity, commodities can no longer exchange with each other, according to the quantity of labour employed upon them, except by accident.

Thirdly, that the quantity of accumulated and immediate labour applied to their production, must, in all the less complex cases, form

* Colonel Torrens, by representing capital under the form of certain quantities of cloth and corn, instead of value in labour, has precluded himself from the possibility of giving a just view either of value, profits, or effectual demand. An increase of cloth and corn from the same quantity of labour is of no avail whatever in increasing value, profits, or effectual demand, if this increased produce will not command so much labour as before, an event which is continually occurring, from deficiency of demand.

the advances on which profits may be correctly calculated.

And, fourthly, that when profits are calculated upon these advances, a quantity of labour is obtained, according to which it is found, by experience, that commodities do exchange with each other in the same country; and, further, that this quantity of labour not only expresses correctly their value in exchange with each other, but their absolute and natural value in reference to the conditions of their supply.

In proceeding to consider what takes place in different countries where the value of the precious metals is very different, it will readily be acknowledged, that the rate at which commodities exchange with each other is not proportioned to the labour which has been employed upon them, with the addition of profits. And it is quite certain, that they cannot be proportioned to the quantity of labour alone of which they are composed. We know, from experience, that the commodities of different countries are actually exchanged with each other according to their money prices at the time. These prices must be determined partly by those natural elements of value which determine the rate at which commodities ex-

change with each other, and the natural conditions of their supply in each country, and partly by the different value of the precious metals in different situations, which must necessarily have a most powerful effect on the rate at which foreign commodities are exchanged.

Knowing then the elements of the natural and relative value of commodities in the same country, if we knew also the difference in the value of money in different countries, we should know at once the rate at which the commodities of different countries would exchange with each other.

Now there is no supposition but one, relating to the value of money in different countries, which, combined with the natural elements of the value of produce in each, would constitute the present natural prices of commodities in these countries, or the rates at which they actually exchange with each other. This is the supposition that the differences in the value of money in different countries are proportioned to the differences in the money prices of agricultural labour.*

* Agricultural labour is taken for the obvious reasons that it is the commonest species of labour, that it directly produces the food of the labourer, and that it is the most immediately con-

The conditions of the supply of an Indian commodity are the advance and consumption of a certain quantity of Indian labour, with the profits on all the advances for the time that they are employed. Thus, if for the production of an Indian commodity, a fixed capital consisting of accumulated labour and profits, equal to 300 days, were advanced for a year, and a quantity of accumulated and immediate labour, consisting of the wear and tear of the machinery, the materials to be worked up, and direct labour, equal to 1500 days, were consumed on the commodity in the same time, profits being 20 per cent., the natural value of such commodity in India would be equal to the 1500 days labour consumed, with a profit of 20 per cent. upon 1800 days labour, which would amount to 1860 days labour.

If labour in India were fourpence a day, the fixed money capital in this case would equal £5, the labour advanced and consumed £25, and the labour consumed, together with the profits on the whole advances, would be equal to £31.

nected with the gradations of soil, and the necessary variations of profits. It is also assumed with Adam Smith, Mr. Ricardo, and other political economists, that, on an average, other kinds of labour continue to bear the same proportions to agricultural labour.

And this would evidently be the natural price at which the commodity would circulate, and according to which it would exchange with any foreign commodity brought to India.

On the same principle, if for the production of an English commodity, 300 days labour were advanced in fixed capital for a year, and 1500 days labour were consumed on the commodity in the same time, while profits were 10 per cent., the natural value of such commodity, or the conditions of its supply, would be 1500 days labour, with a profit of 10 per cent. upon 1800, which together would equal 1680: and if labour were two shillings a day, the natural price at which the commodity would circulate, and according to which it would exchange with any foreign commodity brought to England, would be £168. This prodigious difference in the natural prices of two commodities in England and India, the natural values of which in each country were nearly the same, could only arise from a difference in the value of money occasioned by the very superior efficiency of English labour in the purchase of the precious metals, owing to the energy, skill, and situation of English labourers and capitalists, compared with those of India. But in estimating this difference in the value of money in England and

India, it is quite obvious, that if, after ascertaining the natural conditions of the supply of a commodity in each country, we were to estimate the value of money either by its general power of purchasing, by a mean between corn and labour,* or by the quantity of labour alone which had been actually employed in bringing the money from the mine to the market, or by any other measure whatever, except the labour which it would command, we should not account for the natural prices which are found actually to prevail in the two countries, and according to which Indian and English commodities are found to exchange with each other by experience.

Consequently, as no other supposition will suit the actual phenomena, and as it has already appeared that the value of commodities in the same country is determined by the quantity of labour which they will command, we may safely conclude that the value of the precious metals in different countries is determined by the same measure, or by the different quantities of common agricultural labour, taking the ave-

* In my last work, I thought that a mean between corn and labour might be a better measure of value than labour alone; but I am now convinced that I was wrong, and that labour alone is the true measure.

rage of summer and winter wages, which a given portion of them will command.

When we come to consider the varying value of commodities at distant periods in the same country, or the rise or fall of produce in the progress of cultivation and improvement, we are necessarily deprived of the test of an actual exchange. We know, however, that at different periods in the same country both the value of the precious metals, and the rate of profits and corn wages, may alter most essentially.

The effect of the varying value of the precious metals, when we have once obtained a measure of value, will be easily estimated. The most important point at present is, to consider the effects which must be produced upon the value of commodities in the progress of society, by the changes which necessarily take place in the profits of stock and the corn wages of labour.

On the supposition of high profits at an early period of society, and a considerable fall of them subsequently, how are we to measure and compare the value of commodities at these different periods? With regard to those which had continued to cost the same quantity of accumulated and immediate labour, we could not say that they were of the same value, un-

less we were prepared to assert that the value of commodities is determined solely by the labour employed upon them, not only when the rate of profits is the same but when it is totally different;* a proposition which no one can venture to assert in the case of foreign commodities, and which there is as little reason to assert in comparing the commodities of distant periods.

If profits were 50 per cent. five hundred years ago, and are 10 per cent. now, the question is, whether a piece of cloth which had cost the same quantity of labour at these different periods would be of the same value. By the supposition it was composed of a greater quantity of profits in the earlier period, and having cost the same quantity of labour, we should naturally conclude that it would be of a higher value.

It is said, however, that, although it cost the same quantity of labour, yet that the labour in the former period was of much less value,

* Whenever it is said that the value of labour rises in the progress of cultivation, a comparison is made between the value of a given quantity of labour at two different periods; and when it is added that wages rise in proportion to the quantity of labour required to produce them, objects are measured solely by the quantity of labour employed upon them, although the rate of profits may be totally different.

which would counterbalance the greater quantity of profits, and leave the value obtained by the same quantity of labour the same. But when we are thus referred to the lower value of labour, the principle of compensation which had before been applied is quite forgotten. The corn which pays the labourer is indeed obtained by a smaller quantity of labour, on account of the superior fertility of the soil from which it is raised, but it is sold as the cloth is sold, at a profit of 50 per cent.; and if it be said that, in the case of the cloth, the low value of wages which is supposed to be the result of superior fertility counteracts the high profits and keeps the value of cloth the same, surely it may be said, in the case of the corn which pays the wages, that the smaller quantity of labour necessary to produce it is made up by the greater rate of profits at which it is sold, and the value of wages is thus kept the same.

If 100 quarters of corn be obtained in the different periods of society by the labour of a different number of men, such as 7, 8 and 9, each paid at the rate of 10 quarters a year, the value of the 100 quarters of corn, or the value of the wages of any one of the men employed, estimated in the labour advanced, with the

addition of the profits upon such advances, must obviously always be the same.

At an early period of society, when the soil was very fertile and the labour of 7 men only was necessary to produce 100 quarters of corn on land which paid little or no rent, the advances in labour being 7 men, or in corn 70 quarters, and the return 100 quarters, the rate of profits would be 42⅞ per cent., and the advances of the labour of 7 men increased by a profit of 42⅞ would equal the labour of 10 men, or the quantity of labour which the whole return would command. At a more advanced period, when the last land taken into cultivation was less fertile, and the labour of 8 men was necessary to obtain the return of 100 quarters, the advances in labour being 8 men, or in corn 80 quarters, the rate of profits would be 25 per cent., and the labour of 8 men increased by 25 per cent. would exactly equal the labour of 10 men. On the same principle, if at a still later period 9 men were necessary to produce the 100 quarters, the rate of profits would be 11⅑ per cent., and the quantity of labour employed increased by the profits would still be equal to the labour of 10 men.

It appears then that when the labourer con-

tinues to be paid the same corn wages, the value of the whole corn produce, or the value of each man's wages estimated in the usual way in labour and profits, must obviously remain constant, and that it must be most erroneous to infer that labour rises in value because it requires more labour in the progress of cultivation to produce the wages of 10 men or one man, if at the same time it requires such a diminished value of profits as exactly to balance it.

But in the progress of cultivation, the corn wages of labour do not continue the same, and corn must consequently be liable to great variation of value, both on account of temporary variations in the state of the supply compared with labour, and on account of the more permanent state of the demand and supply of corn compared with labour, owing to the increasing difficulty of production.

It may be laid down, however, as a general proposition, liable to no exception, that when the value of any produce can be resolved into labour and profits, then as the *proportion* of such produce which goes to labour increases, the proportion which goes to profits must decrease in the same degree, and as the *proportion* which

goes to labour decreases, the proportion which goes to profits must increase in the same degree.*

Thus if $\frac{3}{4}$ of the produce, whatever that produce may be, go to labour, $\frac{1}{4}$ will remain for profits; if $\frac{5}{6}$ go to labour, $\frac{1}{6}$ will remain for profits; and if $\frac{1}{2}$ only go to labour, $\frac{1}{2}$ will remain for profits.

In reference to corn or commodities in general, compared with each other at different periods in the progress of cultivation, it is obvious that neither an increase in the quantity of labour required to produce them, nor an increase in the quantity of produce awarded to the labourer, can ever determine the proportion

* This proposition is essentially the same as that which is very clearly and ably expressed by Mr. Ricardo in his chapter on Profits, (p. 128. 3d ed.) in the following terms: "in all countries and at all times profits depend on the quantity of labour requisite to provide necessaries for the labourers on that land, or with that capital which yields no rent;" a proposition which though incomplete in reference to the ultimate causes of the variations of profits, contains a most important truth. From this truth the legitimate deduction appears to me to be, the constant value of labour; but Mr. Ricardo has formed his system on a deduction exactly opposite to it. He has, however, in my opinion, amply compensated for the errors into which he may have fallen, by furnishing us, at the same time, not only with the means of their refutation, but the means of improving the science of Political Economy.

of the whole produce which goes to labour and affect profits accordingly; because if the quantity of labour required to produce them increases, the effect of this upon profits may be totally destroyed by a diminution at the same time of the quantity of produce awarded to the labourer; or if a larger quantity of produce be awarded to the labourer, it may be only in consequence of a smaller quantity of labour being necessary to obtain the same produce, in which case profits may remain undiminished, or even rise, at the same time that corn wages rise.

But if instead of referring to commodities generally, we refer to the variable quantity of produce which, under different circumstances, forms the wages of a given number of labourers, we shall find that the variable quantity of labour required to obtain this produce will always exactly agree with the proportion of the whole produce which goes to labour; because, however variable may be the amount of this produce, it will be divided into a number of parts equal to the number of labourers which it will command, and as the first set of labourers who produced these wages may be considered as having been paid at the same rate as the second set, whose labour the produce commands; it is obvious that if to obtain the pro-

duce which commands ten labourers, 6, 7, 8, or 9 labourers be required, the proportion of the produce which goes to labour, in these different cases, will be $\frac{6}{10}$, $\frac{7}{10}$, $\frac{8}{10}$, or $\frac{9}{10}$, leaving $\frac{4}{10}$, $\frac{3}{10}$, $\frac{2}{10}$, or $\frac{1}{10}$, for profits.

It is impossible to refer what is proposed as a standard to any *other* measure, because, in that case, the other measure would be the standard. But if it can be shown, that any object, the value of which is composed of two elements, is of such a nature that while the value of one of these elements increases, the value of the other decreases exactly in the same degree, such object must be of a constant value. If the values of two variable quantities, $X$ and $Y$, be equal to the constant value $A$, it follows that, in all the variations to which $X$ and $Y$ are subject, whatever value $X$ gains must be lost by $Y$, and whatever value $Y$ gains must be lost by $X$. The converse of this proposition must also be true, that is, if the value of any object be made up of the variable values of two other objects, and it can be shown that, from the nature of these two objects, whatever increase of value one of them gains, must necessarily be lost by the other, and vice versâ, it follows that the value of the object, to which the two others are equal, must be constant. Now it has ap-

peared that the variable values of the labour and of the profits which compose the value of the variable quantity of corn awarded in wages to a given number of labourers, must necessarily be such, that, as the quantity of labour required to produce them increases, either from difficulty of production or from the greater quantity of produce awarded to the labourer, all the value thus gained by labour is lost by profits; and as the quantity of labour required to produce them is diminished, either by facility of production or the small quantity of produce awarded to the labourer, all the value which is gained by profits is lost by labour. Consequently, the value of the variable quantity of produce which, under different circumstances, forms the wages of a given number of men, being composed of the values of the two elements, labour and profits, varying as above described, must be constant, and may therefore, with propriety, be proposed as a standard measure.

I have entered at some length into the details which show the necessary constancy of the value of labour, on account of its great importance; but, in reality, it follows directly from the manner in which the natural value of commodities and of wages is estimated, that

when the labourer earns a greater or a smaller quantity of money or necessaries, it is not the value of labour which varies, but, as Adam Smith says, " it is the goods which are cheap in the one case and dear in the other."

If labour alone, without any capital, were employed in procuring the fruits of the earth, the greater facility of procuring one sort of them compared with another, would not, it is acknowledged, alter the value of labour, or the exchangeable value of the whole produce obtained by a given quantity of exertion. We should, without hesitation, allow that the difference was in the cheapness or dearness of the produce, not of the labour.

In the same manner it will follow, that when capital and profits enter into the computation of value, and the demand for labour varies, the high or low reward of labour estimated in produce, implies a change in the value of the produce, not a change in the value of the labour.

If the increased reward of the labourer takes place without an increase of produce, this cannot happen without a fall of profits, as it is a self-evident truth, that given the quantity of the produce to be divided between labour and profits, the greater the portion of it which goes to labour the less will be left for profits. What then will be the result? It will appear

that the value of the produce has fallen, and the value of wages, or of labour, will have remained the same. To obtain any given portion of the produce the same quantity of labour is necessary as before, but profits being diminished, the value of the produce is decreased; while this diminution of profits in reference to the value of wages is just counterbalanced by the increased quantity of labour necessary to procure the increased produce awarded to the labourer, leaving the value of labour the same as before.

Perhaps in the case just supposed, the result may be said to be occasioned by a fall in the value of the produce, without what could properly be called an increased demand for labour. But if we suppose that a considerable number of labourers were sent out of the country, or swept off by a plague, there could then be no doubt of a great demand for labour, yet the result would be similar. A larger quantity of produce would necessarily be awarded to the labourer, and profits would fall. A given quantity of produce obtained by the same quantity of labour as before, would fall in value on account of the fall of that part of its value which consisted of profits, while the fall of profits on the increased wages would be balanced by the increased labour necessary to obtain them.

If instead of labourers being sent out of the country, labourers were imported, the result would be just opposite. A smaller quantity of produce would be awarded to the labourer and profits would rise. A given quantity of produce, which had been obtained by the same quantity of labour as before, would rise in value on account of the rise of profits, while this rise of profits, in reference to the wages of the labourer, would be balanced by the smaller quantity of labour necessary to obtain the diminished produce awarded to the labourer.

In the former case of the demand for labour, it appeared that the greater earnings of the labourer were occasioned, not by a rise in the value of labour, but by a fall in the value of the produce for which the labour was exchanged. And in the latter case of the abundance of labour, it appeared that the small earnings of the labourer were occasioned by a rise in the value of the produce, and not by a fall in the value of the labour.

The result would be similar, if instead of supposing the same quantity of produce to be obtained by the same quantity of labour, we were to suppose the greatest variations to take place in the fertility of the soil, and, consequently, in the productive power of labour.

In all cases it would still be found that, as Adam Smith says, it is the produce which varies in value, not the labour for which it will exchange; and if money were obtained in the way in which its value would unquestionably be the most constant, all these variations would appear in the money prices of commodities, whenever the demand for labour varied; while the money price of a given quantity of labour would remain the same.*

The following Table will further illustrate the necessary constancy in the value of labour, and some of its most important results, in a clearer manner and in a shorter compass than if each case were taken separately.

The first column represents the varying fertility of the soil, by the varying quantity of corn which can be obtained by the labour of a given number of men.

* Mr. Ricardo, by supposing gold to be produced always by a certain quantity of labour and *capital*, is compelled to acknowledge that his standard "would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others." p. 43. This concession appears to me quite fatal. We want to measure the value of commodities under *all circumstances*, and it is only gold obtained exclusively by labour, or labour itself, which can do this. See *Principles of Political Economy considered with a View to their Practical Application*, pp. 111 and 118.

The second column represents the yearly corn wages of each labourer, determined by the state of the demand and supply of produce compared with labour.

The third column represents the variable advances of produce; in the form of corn wages, which, according to the rate at which the labourers are paid, are necessary to obtain the produce of the first column.

The fourth column represents the rate of profits determined in the common way, by the proportion which the excess of the produce in the first column above the produce paid to the labourers in the third, bears to these advances.

The fifth and sixth columns represent the quantity of labour required to produce the varying corn wages of the given number of men, with the profits estimated also in quantity of labour; and the reader will see at once that these two columns must necessarily, from the manner in which profits and wages are estimated, make up the constant quantity and value of labour which appears in the seventh column.

The eighth and ninth columns show the value of a given quantity of corn, and the value of the produce of a given number of men under the varying circumstances supposed.

*Table illustrating the invariable Value of Labour and its Results.*

| 1. Quarters of Corn produced by Ten Men, or varying Fertility of the Soil. | 2. Yearly Corn Wages to each Labourer, determined by the Demand and Supply. | 3. Advances in Corn Wages, or variable Produce commanding the Labour of Ten Men. | 4. Rate of Profits under the foregoing Circumstances. | 5. Quantity of Labour required to produce the Wages of Ten Men under the foregoing Circumstances. | 6. Quantity of Profits on the Advances of Labour. | 7. Invariable Value of the Wages of a given Number of Men. | 8. Value of 100 Quarters of Corn under the varying Circumstances supposed. | 9. Value of the Product of the Labour of Ten Men under the Circumstances supposed. |
|---|---|---|---|---|---|---|---|---|
| 150 qrs. | 12 qrs. | 120 qrs. | 25 pr. Ct. | 8 | 2 | 10 | 8.33 | 12.5 |
| 150 | 13 | 130 | 15.38 | 8.66 | 1.34 | 10 | 7.7 | 11.53 |
| 150 | 10 | 100 | 50 | 6.6 | 3.4 | 10 | 10 | 15 |
| 140 | 12 | 120 | 16.66 | 8.6 | 1.4 | 10 | 7.14 | 11.6 |
| 140 | 11 | 110 | 27.2 | 7.85 | 2.15 | 10 | 9.09 | 12.7 |
| 130 | 12 | 120 | 8.3 | 9.23 | 0.77 | 10 | 8.33 | 10.8 |
| 130 | 10 | 100 | 30 | 7.7 | 2.3 | 10 | 10 | 13 |
| 120 | 11 | 110 | 9 | 9.17 | 0.83 | 10 | 9.09 | 10.9 |
| 120 | 10 | 100 | 20 | 8.33 | 1.67 | 10 | 10 | 12 |
| 110 | 10 | 100 | 10 | 9.09 | .91 | 10 | 10 | 11 |
| 110 | 9 | 90 | 22.2 | 8.18 | 1.82 | 10 | 11.1 | 12.2 |
| 100 | 9 | 90 | 11.1 | 9 | 1 | 10 | 11.1 | 11.1 |
| 100 | 8 | 80 | 25 | 8 | 2 | 10 | 12.5 | 12.5 |
| 90 | 8 | 80 | 12.5 | 8.88 | 1.12 | 10 | 12.5 | 11.25 |

The first and most important truth illustrated in the table is, that, from the division of value into labour and profits, and the mode in which profits are always estimated, it follows necessarily, that the quantity of labour required to produce the wages of a given number of men, with the addition of the profits upon these advances estimated in labour, must always be exactly the same as the quantity of labour which the wages will command, and must together always make up the constant quantity which appears in the seventh column. But the quantity of labour required to produce the varying wages of ten men is, under the different circumstances supposed, very different, as appears in the fifth column; and it is obvious, that while the numbers in the fifth column vary, the numbers in the seventh column, or the quantity of labour and profits united, cannot be constant, unless, as the quantity of labour required to produce the wages of ten men increases, the quantity of profits estimated in labour diminishes exactly in the same degree. But this, from what has before been stated, must, under the circumstances supposed, be the case. And it follows, that if the natural value of a commodity may be estimated by the labour and profits of which it is composed, the natural value of the corn

wages of a given number of men must always be the same. But such wages, according to the postulate with which we commenced, must necessarily be equal to the quantity of labour for which they will exchange. Consequently the value of a given quantity of labour must, under every variety which can take place in the fertility of the soil and the corn wages of labour, be always constant. It is, however, of the greatest importance to remark, that an exact balance of labour, and of profits estimated in labour, so as to yield always a constant quantity, cannot take place in the production of any one commodity or given portion of a commodity; because any one commodity, or given portion of a commodity, is liable to vary in relation to labour, and such variation will either increase or decrease the amount of the labour and profits united. It is only the varying wages of a given number of men bearing, as the terms imply, a constant relation to labour, which, under any changes in the quantity of labour required to produce them, can still continue of the same natural value. And it is precisely this necessary constancy in the natural value of the varying corn wages of labour, which renders the labour which a commodity will command, a standard

measure both of its natural and exchangeable value.

2dly. It appears from the Table, that given the produce obtained by ten men, then as corn wages rise, the value of the produce will fall, or command less labour; and the constant value of the advances in labour absorbing a larger proportion of the value of the produce, profits will fall in proportion. But when more is produced by the same number of persons, then unless the corn wages rise so high as exactly to balance it, the value of the whole produce is increased, and the rate of profits and corn wages may both rise at the same time. Thus while the produce is 130 quarters, as labour rises from ten to twelve quarters, profits fall in an opposite direction from 30 per cent. to 8.3. per cent.; but if we compare the wages of labour when the produce is 130 quarters, with the wages of labour when the produce is 150, it appears that labour may rise from twelve to thirteen quarters, at the same time that profits rise from 8.3. to 15.38.

A third result illustrated in the Table is, that labour being constant, all commodities into which profits enter, which may be said to be nearly the whole mass, must fall on the fall of profits, and among these will, of course, be found

metallic money. Supposing, therefore, money always to require in its production the same quantity of labour and capital, it will regularly fall in value in the progress of cultivation and population; while labour being uniform in value will rise in money price,* and the demand for corn increasing, compared with the demand for labour, the money price of corn will probably rise still more. But if the labourers were paid at all times exactly the same quantity of corn, (which, however, cannot be the case,) the value of corn, like the value of wages, would be constant, and the variations of fertility would only show themselves in the enormous variations of profits.

Thus, when labour is paid at ten quarters each man, the numbers in the eighth column, or the value of a given quantity of corn, must, it is obvious, always be the same, whatever be the quantity produced; and when the land is fertile, the small quantity of labour required to produce ten quarters is balanced by the great profits which appear in the fourth column.

* It is this rise in the money price of labour, occasioned by the fall of profits, which Mr. Ricardo considers as that necessary rise in the *value* of labour on which he makes so much depend in his system; but if the foregoing reasoning be well founded, it follows that this rise is not a rise in the *value* of labour, but a fall in the value of money.

In the actual state of things, corn generally rises in the progress of cultivation, not only nominally, but really, as may be seen in the eighth column, while labour, it is evident, can only rise nominally.

A fourth result shown in the Table is, that the value of the corn obtained by ten men depends mainly upon the rate of profits, which again depends mainly upon the demand and supply of corn compared with labour. If corn be in such demand, that notwithstanding the fertility of the soil, a small quantity of it comparatively will purchase the labour required, profits will be very high, and the value of the produce will greatly exceed the constant value of the wages of the labour advanced; but if the supply of corn be so great, compared with labour, that a large quantity of it is required to purchase the given quantity of labour, profits will be low, and the excess of the value of the produce above the constant value of the advances in wages will be inconsiderable.

Thus, when the produce is 150 quarters, if corn be in such plenty that each labourer is awarded thirteen quarters, the profits of stock will be only 15.38 per cent.; and this rate of profit, added to the constant value of the advances in labour, which are represented by 10,

will make the natural value of the produce equal to 11.53. But if corn, notwithstanding the fertility of the soil, be only supplied in such quantities, compared with labour, as to award the labourer no more than ten quarters, the rate of profits, instead of 15.38 per cent., will be 50 per cent., and the value of the produce, instead of being 11.53, will be 15.

This shows how greatly the natural value of commodities depends upon the average state of the demand and supply, and completely confirms the position in my last work, that the only difference between natural and market prices is, that the former are regulated by the average and ordinary relations of the demand to the supply, and the latter, when they differ from the former, upon the accidental and extraordinary relations of the demand to the supply.

Fifthly, it follows, from the constant value of labour, that,

Given the value of money in different countries, the natural prices of commodities, in which the same quantities of labour have been employed, will depend upon the rate and quantity of profits.

Given the rate and quantity of profits, and the value of money, the natural prices of commodities in different countries will depend

upon the quantity of labour employed upon them.

And given the quantity of labour employed on them, and the rate and quantity of profits, the natural prices of commodities will depend upon the value of money.

But in reality none of the ingredients of natural or money price are given, excepting the natural value of labour, and consequently the money prices of commodities which regulate the ordinary rate at which different countries exchange their commodities with each other, will be determined partly by the quantity of labour employed upon them, partly by the ordinary rate of profits, and partly by the value of money.

The value of metallic money, it has before been stated, while it continues to be obtained by the same quantity of labour and capital, must always fall with the fall of profits, and will consequently have a strong tendency to fall with the progress of cultivation and improvement; but as few nations comparatively have mines of their own, the supplies which they obtain of the precious metals must be purchased by their exportable commodities; and these are produced and exported under such a variety of circumstances, in respect to cost, and the value of the same

amount of the precious metals is further so much affected by the demand for corn and labour, the state of credit, paper currencies, taxation, and other circumstances, that no rule can safely be laid down on the subject.

Generally the value of money is the lowest in the richest and most manufacturing countries; but this is not always the case; and a country which raises an abundance of raw produce at a small expense of labour and profits, while its money value is kept up by a ready sale for it in foreign markets, and a continued demand for labour, may have the value of its money very low, although it is not rich or manufacturing. This is the case with the United States of America, where, owing to the low value of money, or high money price of labour, there are no doubt some commodities which, though produced by a less value of labour and profits, cannot be exported to England on account of the higher value of money in England; while we know that there are many other products which are obtained by so much a smaller quantity of labour and profits as more than to counterbalance the higher value of money in England, or the higher money price of labour in the United States.

In the same manner there are no doubt many

commodities which, though obtained in England by a much less quantity of labour and profits than in India, cannot be exported to that country on account of the very high value of money in India; while, on the other hand, there are a few commodities in England in which the saving of labour and the effects of capital and skill have been so great, as to allow of their exportation from a country where the money wages of labour are two shillings a day, to one where they are only fourpence; that is, from a country where the value of money is six times lower than in the country to which the commodities are sent.

On the same principle, commodities may be imported from India into England, although the same commodities might be produced in England by a much less quantity of labour and profits, the low value of money in England more than compensating the greater quantity of labour and profits employed in India.

It is evident, therefore, that the values which determine what commodities shall be exported, and what imported, depend, as before stated, partly upon the quantity of labour employed in their production, partly upon the ordinary rates of profits in each country, and partly upon the value of money.

A sixth result illustrated in the Table is the important distinction between cost and value. The two last columns show the value of a given quantity of corn, and the value of the product of a given quantity of labour, under all the variations which may be supposed of fertility and corn wages. The difference between the numbers in the last column, and the uniform number expressing the value of labour, shows exactly the difference between the value of the labour which has been employed upon a production, or its cost, and the labour which that production will command, or its natural and exchangeable value; which, where profits and wages are alone concerned, must be exactly equal to the additional value occasioned by the amount of profits.

The reader will be aware that neither the preceding Table, nor any thing which has been said, tends in any degree to contradict the acknowledged truth that different *kinds* of labour are of very different natural and exchangeable value. It will be further allowed, that even the same kind of labour, and the kind which has been especially referred to, namely common agricultural labour, may, under particular circumstances, and in particular places, vary in value from a partial or temporary state

of demand and supply. We well know, that, from a partial and temporary demand at a particular period of the year, summer wages are of a very different value from winter wages; but in reality summer wages form a very important part of the wages of the whole year. They are generally employed to pay the rent of the house, or to purchase the necessary clothing for the family. They could not be essentially diminished, without altering the condition of the labourer throughout the year, or the rate of the increase of population. And if the labourer earned a smaller quantity of corn throughout the year, with an undiminished produce, it appears from the Table that the value of that corn would still remain the same, owing to the increased value of those profits of which it was in part composed.

With regard to the variations in the value of labour in different parts of the same country, if they are not partial, or temporary, and consequently exceptions to the general average, they are all resolvable into those differences in the value of money, which unquestionably take place in different parts of the same country, and arise from a want of demand for corn and labour, and a want of commodities to exchange

with those parts of the country which are richer in the precious metals.

Having obtained a measure of the value of commodities in their more simple forms, we may apply this measure to the ingredients which compose the most complicated productions, and estimate all the advances which consist of accumulated profits, rents, tithes, and taxes in labour. In the case of taxes on the wages of labour, or an increase in the prices of those other necessaries of the labourer, besides food, which may occasion the sale of a greater quantity of the produce, in order to pay the same number of labourers, as these increased advances will have the same effect upon profits as a simple increase of wages, they will in no respect interfere with the constant value of labour, though an increase of wages, under such circumstances, will be of no advantage to the labourer.

Cases will of course frequently occur, in which the advances which do not consist of wages vary in a different degree from wages; but still the value of labour will remain constant. If the produce, instead of being obtained by the direct labour of a certain number of men, were obtained by the direct labour of

only a part of this number, together with an amount of materials, or other advances consumed in the same time, equal to the labour of the other part, then upon a rise in the corn wages of labour, if the other advances were to fall, or not to be worth so much labour as before, it is obvious that the profits of stock would not fall so much as if the same rise of corn wages had taken place, when all the advances had been in labour; and it might be thought at first that profits not falling in proportion to the rise of labour, the value of labour would not continue the same. But it will be observed, that, in all cases of this kind, there will be a less value of labour, which is equivalent to a less quantity of it employed to obtain the same produce; and a less quantity of labour altogether being consequently necessary to produce the food of the labourer, than if labour alone had been employed, the higher profits, or smaller diminution of the former profits, will only just be such as to maintain labour of a constant value.

Let us suppose, for instance, that 120 quarters of corn are produced by ten men. If each man were paid ten quarters, profits would be 20 per cent.; and if wages were increased to eleven quarters, profits would fall from 20 per

cent. to 9.09 per cent. Now supposing, that, instead of ten men being directly employed, five only are so employed, and that the other advances consist of capital which will continue of the same value as the corn;* then, while each labourer earns ten quarters, and the other capital advanced is worth the labour of five men so paid, profits will be, as before, 20 per cent. But if the labourer be paid eleven quarters instead of ten, profits will not fall, as before, from 20 per cent. to 9.09 per cent., but only from 20 per cent. to 14.28 per cent.; because the advances, instead of being 110, will only be 105; and the value of these advances estimated in labour paid at eleven quarters each man, being only 9.54, instead of 10; 9.54 may be considered as the number of persons employed. Then if 120 quarters be produced by 9.54 men, 105 quarters will be produced by 8.34. But 8.34, increased by a profit of 14.28, will make 9.54, the quantity of labour employed, and show that the natural value of labour is always proportioned to its quantity. In the former case, when ten men were employed at eleven quarters, as the advances

* This applies to the seed, and the food of the working cattle in agriculture.

were 110 quarters, instead of 105, the labour required to produce the food of the labourer was 9.166, and consequently a profit of only 9.09 will be sufficient to make up ten, the number of men employed, and thus equalize the value with the quantity.

In the case of fixed capital of considerable duration, there is always a probability that it will alter in value in reference to the quantity of labour, and of profits estimated in labour, of which it was composed when first produced; but after having advanced so far in establishing the labour which a commodity will command, as the measure of its value, we are entitled to consider the present value estimated in labour of any fixed capital which is about to be employed in production, as representing the quantity of accumulated labour actually so applied. It is further necessary, as before stated, to reckon the remaining value of the fixed capital as a part of the produce resulting from the whole of the accumulated and immediate labour employed. When, however, these corrections have been made, all the cases in which fixed capital enters, which may be said to include the great mass of commodities, will be found to answer to the theory as accurately as the simplest case that can be stated.

The exceptions, therefore, to the general proposition that the labour which commodities will command may be considered as a standard measure of their value are only apparent, not real, and may all be consistently explained.

And if the proposition be true, a standard measure of value is of so much importance in political economy, and the one proposed is at all times so very ready and easy of application,* that there is scarcely any part of the science in which it will not tend to simplify and facilitate our inquiries.

To advert shortly to a few points on which there have been some differences of opinion.

On the subject of rents, such a standard would determine, among other things, that, as the increase in the *value* of corn is only measured by a decrease in the corn wages of labour, such increase of value is a very inconsiderable source of the increase of rents compared with improvements in agriculture; and on the same principle that, if tithes do not fall mainly on the labourer, the acknowledged diminution in the *corn* rents of the landlord,

* The labour worked up in a commodity could not, in many cases, be ascertained without considerable difficulty; but the labour which it will command is always open and palpable.

occasioned by tithes, cannot be balanced by an increase of their value, and that, consequently, tithes must fall mainly on the landlord.

On the subject of labour it would determine, that the increasing *value* of the funds destined for the maintenance of labour can alone occasion an increase in the demand for it, or the will and power to employ a greater number of labourers; and that it is consistent with theory, as well as general experience, that high corn wages, in proportion to the quantity of work done, should frequently occur with a very slack demand for labour;* or, in other words, that when the *value* of the whole produce falls from excess of supply compared with the demand, it cannot have the power of setting the same number of labourers to work.

On the subject of profits, it would show, that they are determined, not by the varying value of a given quantity of labour compared with the constant value of the commodities which it produces, but, as is more conformable to

* Practically, in all countries such as South America and Ireland, where there is a slack demand for labour, and the people are but half employed, the food wages of labour are high, compared with the work done.

our experience, by the variable value of the commodities produced by a given quantity of labour, compared with the constant value of such labour; and that profits never, on any occasion, rise or fall, unless the value of the produce of a given quantity of labour rises or falls, either from the temporary or ordinary state of the demand and supply.

On the subject of the distinction between wealth and value, it would show, that though they are by no means the same, they are much more closely connected than they have of late been supposed to be; and that the best practical measure of the relative wealth of different countries would be the quantity of common labour which the value of the whole annual produce of each country would enable it to command at the actual price of the time, which in some rich countries might amount to above double the number of families actually employed, and in poor countries might not greatly exceed such number.

On the subject of foreign trade, it would show that its universally acknowledged effect in giving a stimulus to production, generally, is mainly owing to its increasing the value of the produce of a country's labour by the extension of demand, before the value of its labour

is increased by the increase of its quantity; and that the effect of every extension of demand, whether foreign or domestic, is always, as far as it goes, to increase the average rate of profits* till this increase is counteracted by a further accumulation of capital.

On the subject of the accumulation of capital it would show that if the increase of capital be measured by the increase of its materials, such as corn, clothing, &c., then it is obvious that the supply of these materials may, by saving, increase so rapidly, compared with labour and the wants of the effective demanders, that with a greater quantity of materials the capitalist will neither have the power nor the will to set in motion the same quantity of labour, and that consequently the progress of wealth will be checked; but that if the increase of capital be measured, as it ought to be, by the increase of its power to command labour, then accumulation so limited cannot possibly go on too fast.

On the general subject of demand and sup-

* If profits rise in some departments without falling proportionally in others, the *average* rate of profits will have increased, although, from the difficulty of moving capital, the rate of profits in some employments may not have had time to rise before the stimulus to such rise comes to an end by a fresh increase of capital.

ply, it would show that they must be restored to their universal empire, both in reference to the prices of commodities, and the dependence of the progress of wealth on the due proportion maintained between them. If the cost of a commodity be considered as composed exclusively of the actual advances of the capital required for its production, which seems to be the most natural and correct mode of viewing it,* then it is obvious, that as both the prices and values of commodities are proportioned to these advances, with the *addition* of profits very variable in their amount, neither of them can be determined by these advances alone, or by the costs of production so defined. We must therefore have recourse to demand and supply. And on the other hand, if profits be included in the costs of production, then, as it follows, from the constancy of the value of labour, that ordinary profits are determined by the ordinary demand compared with the ordinary supply of the products of the same quantity of labour, the certain conclusion must be, that

* This is the view taken of it by Colonel Torrens in his *Production of Wealth*, which I think the just one; because it makes the proper distinction between cost and value, on which the great stimulus to production depends. But he has most unnecessarily and incorrectly given the same interpretation to *natural price*, which always includes profits.

demand and supply enter powerfully into the costs of production according to this latter definition, and that therefore their dominion as to prices and value is absolutely universal.*

Nor would they be less so in their effect on the general progress of wealth. If commodities and the materials of capital increase faster than the effectual demand for them, profits fall prematurely, and capitalists are ruined without a proportionate benefit to the labouring classes, because an increasing demand for labour cannot go on under such circumstances. If the value of commodities and the materials of capital increase for some time without an increase of their quantity, the labouring classes must soon be supported on the lowest amount of food on

* In order to exclude demand and supply from the costs of production, when ordinary profits are considered as making a part of them, it would be necessary to assume that the corn wages of labour are always the same, an assumption which would be quite unwarranted, not only in reference to short periods, but to periods of fifty or sixty years, as the history of corn wages in this country alone amply testifies (see ch. iv. sect. 4, of my Princ. of Pol. Econ. &c.); and what but the state of the demand and supply of corn, compared with labour, prevents profits in the United States from being 100 per cent.? The quantity of corn divided between the labourer and capitalist would be amply sufficient to yield such profits, if the corn wages of labour were no higher than in England.

which they will consent to keep up their actual number; and the main part of the population would suffer severely without any proportionate benefit to the capitalists; because the value of their capitals, measured by the labour which they can command, would shortly be incapable of further increase. In either of these cases a decided check would be given to the progress of wealth, which progress must necessarily be the greatest, when the joint product of the capitalist and labourer, which the state of the land and the skill with which it is worked enable them to obtain, is so divided between them, that in the progress of cultivation and improvement any unnecessary or premature fall either of profits or corn wages is prevented. But this can only be accomplished by a proper proportion of the supply to the demand, that is, by an accumulation so proportioned to the actual consumption of produce by those who can make an effectual demand for it, as to occasion the greatest permanent annual increase in the value of the materials of capital.

The reader of my last work, in which I laid down as my rule, to admit no principles of Political Economy as just which were inconsistent with general experience, will be aware that the conclusions to which I have here shortly ad-

verted, as following necessarily from the constancy of the value of labour, are almost exactly the same as the conclusions of that work. And the reason is, that although at that time I did not think that the labour which a commodity would command could, with propriety, be considered as a *standard* measure of value, yet I thought it the nearest approximation to a standard of any one object known, and consequently applied it, on almost all occasions, to correct the errors arising from the application of more variable measures. The conclusions, therefore, of my former and present reasonings were likely to be nearly the same, although the premises might now admit of further correction and illustration, and the conclusions might be pronounced with greater precision and certainty.

It was my intention to have done this much more fully than in the present treatise; but having been interrupted by unforeseen circumstances, and being unwilling to delay any longer the publication of this essential part of my proposed plan, I have determined to submit it to the public in its present form; and will only add here a few observations on a question closely connected with it, which has lately excited much interest and discussion.

Among the questions for the determination of which a standard measure of value is most particularly required, are those which relate to alterations in the value of the currency. We know perfectly well, from experience, that commodities are subject to great variations of price, and that many of these variations may arise from causes which alter the natural value of these commodities, and are equally applicable to a large mass of them, as to a very few. On the supposition of a large mass being altered, any article which had retained the same natural value, would have its power of purchasing considerably affected; but this would be owing to an alteration in the value of the mass of commodities, and not in the value of the article, which by the supposition remains the same. It follows, that although money may increase in its power of purchasing, it does not necessarily increase in value. But in estimating the value of money, some criterion or other must be referred to. If we cannot refer to the mass of commodities, we must refer to some one object, and this object can only be labour. Our present inquiry, therefore, must be into the causes which affect the value of the precious metals as compared with labour.

These causes are of two kinds:—first, those

which occasion a high or low rate of profits, which, as connected with the progressive cultivation of poorer land, and operating universally and necessarily on the precious metals in common with all other commodities, and raising or lowering them with regard to labour, may be denominated the primary and necessary cause of the high or low value of metallic money.—And secondly, those which depend on the fertility and vicinity of the mines; the different efficiency of labour in different countries; the abundance or scarcity of exportable commodities; and the state of the demand and supply of commodities and labour compared with money; which may be denominated the secondary and incidental causes of the high or low value of metallic money.

These two different kinds of causes will sometimes act in conjunction, and sometimes in opposition, so that it may not always be easy to distinguish their separate effects; but as these effects have really a different origin, it is desirable to keep them as separate as we can.

The marks which distinguish a fall in the value of the precious metals, arising from the primary cause, are,—a rise in the money price of raw produce and labour, without a general rise in the price of wrought commodities. All of them, indeed, as far as they are com-

posed of raw produce, will have a tendency to rise; but, in a large class of commodities, this tendency to rise will be more than counterbalanced by the effect of the fall of profits.—Some therefore will rise, and some will fall, as I stated in my last work,* according to the nature of the capitals employed upon them, compared with those which produce money; and while the money prices of corn and labour very decidedly increase, the prices of commodities, taken on the average, may possibly remain not far from the same.

On the other hand, when the value of metallic money falls, from the secondary causes above noticed, there will be a tendency to a proportionate rise of all commodities as well as of corn and labour, though in some cases it may take a considerable time before it is completely effected. And, in general, whenever a fall in the value of money takes place, without a fall in the rate of profits, an event which is generally open to observation, it is to be attributed to incidental and secondary causes affecting the relations of money to labour, and not to that which is connected with the taking of poorer land into cultivation.

Of these two classes of causes the second

*. Sect. IV. p. 91, et seq.

produces much the greatest part of those differences in the value of metallic money, which are the most observable in different countries, and at different periods in the same country. If India and England had each of them mines of equal natural fertility, the superior efficiency of English labour, assisted by machinery, would extract a much greater quantity of metal from such mines; and the money price of labour might be three or four times higher, and the value of money three or four times lower in England than in India.

The same effect is, at present, practically produced by the skill and machinery employed on the manufactures with which England purchases her gold. If she can prepare exportable commodities which are in demand abroad, with much less labour than other nations, she will be able to buy gold at a much lower natural value, and will continue to import it under favourable exchanges, till its value falls in proportion.

It is farther established by experience, that a brisk or slack demand for commodities and labour, and particularly for corn, has a considerable effect on the value of gold. Such a demand not only occasions a more rapid circulation of money, and enables the same quantity

to perform a greater number of transactions, but calls into action a greater quantity of credit and private paper,* so that a general rise of bullion prices, including labour, seems to be at all times possible, even without any fresh importations of the precious metals; and the only practical limit to this rise, is the turn of the exchange, and the impossibility of maintaining the exchanges nearly at par beyond a certain elevation of labour and commodities.

The secondary and incidental causes here enumerated, as affecting the value of gold, often completely overcome the effects arising from the primary cause. The state of bullion prices in most of the countries of the commercial world make it evident, that the efficiency of labour, and the abundance of exportable commodities, are much more powerful in lowering the value of bullion in the countries where they prevail, than high profits in raising it; and the same appears to be true, in reference to an increased demand for corn and labour.

It cannot be doubted that the rate of interest

* One of the most valuable sections in Mr. Tooke's late work *On High and Low Prices*, is the seventh, in which he proves the frequent occurrence of this event, and explains, with great clearness and knowledge of the subject, the mode in which it takes place.

and profits was comparatively high during the late war, and this high rate of profits would naturally have a tendency to lower the bullion price of labour; but this was more than counterbalanced by the tendency of a brisk demand for corn and labour to raise money prices generally, including labour, and the consequence was a fall, during the greatest part of the time, in the value of bullion.

It can as little be doubted, that the rate of interest and profits has fallen since the war, and this low rate of profits would have a natural tendency to raise the bullion price of labour; but this has been more than counterbalanced by the tendency of a slack demand for corn and labour to lower prices generally, and the consequence has been a rise in the value of gold, and a still greater rise in the value of the currency.

This rise, however, in the value of the currency, has been by no means so considerable as those are inclined to make it, who would measure it by the fall of agricultural produce; nor is it so inconsiderable as those imagine who would measure it solely by the difference between paper and gold. But whether this difference is the whole of what can be fairly attributed to the Bank Restriction and the re-

turn to cash payments, or not, it may by no means be the whole change which has taken place in the value of the currency, when compared with an object which has not changed.

It would be very desirable to be able to form an accurate estimate of the rise and fall which has taken place in the bullion price of labour for the last thirty years; but unfortunately, during the latter part of the period, no general estimates of the price of labour have been made, at least none that have come to my knowledge; and there is reason to think that, under the late stagnation in the demand for agricultural labour, the common rate of wages in England has been more than usually interrupted by the operation of the poor laws. On this account, I have made some inquiries respecting wages in Scotland, and have obtained a most valuable communication; but before I refer to it particularly, it may be useful to consider the results of the data we possess in England. The rise in the bullion price of labour from 1790 to 1810 and 11, may be established upon satisfactory grounds, although the amount of the fall which has since taken place may be a matter of considerable uncertainty.

According to the communications to the Board of Agriculture, the price of labour, in

1790, was 8*s.* 1*d.* per week. In 1796, Sir F. M. Eden, in his work on the Poor, stated it at 8*s.* 11*d.* per week. In 1803, the communications to the Board of Agriculture make it 11*s.* 5*d.*, and in 1810 and 11, according to satisfactory returns obtained by Arthur Young, it was 14*s.* 6*d.** This was a steady and very great rise in the price of agricultural labour during the course of twenty years. But in 1810 and 11, paper had separated from gold to a considerable extent. Taking an average of the market prices of gold during these two years, this price was £4. 13*s.* and reducing the 14*s.* 6*d.* currency to a bullion price, it will appear that the bullion wages of labour in 1810 and 11 were a little above 12*s.* The bullion price of labour had therefore risen 50 per cent. Now, on the supposition that manufacturing and mercantile labour continued to bear the same proportion to agricultural labour as before,† it is obvious that there would be a difference of 50 per cent.

* Inquiry into the Rise of Prices in Europe, p. 15.

† Perhaps at the time specifically adverted to, this supposition will not be allowed. But it is always assumed as a general proposition; and although 1810 and 11 were years of great manufacturing distress, yet Mr. Tooke himself brings evidence which shows that manufacturing labour was particularly high in 1805 and 6.

between the quantity of labour and profits with which an ounce of gold could be purchased at the former period, compared with the latter; that is, while labour was 8*s.* 1*d.* per week, it would require a piece of muslin, which would command above nine and a half weeks labour, to purchace an ounce of gold; but when wages were 12*s.* per week, a piece of muslin, which would command little more than six and a half weeks labour, would be sufficient for the purpose. The natural value of bullion, therefore, the quantity of English labour and profits of which it was composed, must have fallen to that extent.

Mr. Tooke, in his late valuable publication, after stating very justly that an unusual proportion of unfavourable seasons must have had a considerable effect in raising the prices of corn and labour during the period adverted to, goes on to "ask upon what ground of fact or reasoning can the high prices included in such a period be ascribed, in fairness, to alterations in the currency, beyond the degree indicated by the difference between paper and gold, when, after a sufficient time has elapsed for the subsidence of the extraordinary effects of such an unusual succession of bad seasons, there is a restoration to a level even somewhat lower than that from

which the rise is assumed to have taken place, and to have continued progressively."

Of the subsidence here alluded to, before 1814, Mr. Tooke has certainly not given proofs sufficiently general; but without dwelling on this point, it appears to me that the question of the fall in the value of the currency including the gold, is exclusively a question of fact, and must be referred to some criterion. It is a very intelligible thing to say that paper has fallen, if it has fallen with regard to the gold which it professes to represent; but it is not intelligible to say that gold has not fallen, when it is acknowledged to have fallen both with regard to its power of purchasing generally, and its power of commanding labour; unless a reference can be made for the proof of it to some more satisfactory criterion. A season of scarcity will make corn dear, and a season of plenty cheap, without necessarily affecting labour in either case, as is shown by Adam Smith, and proved by repeated experience. But if seasons of scarcity occur so frequently as to raise generally the bullion price of labour, it must of necessity be accompanied by a power of purchasing bullion with a smaller quantity of labour and profits; otherwise the event could not

occur. Whenever it does occur, the natural value of bullion falls.*

The observations here made, with a view to place the controversy respecting the alterations in the currency on its proper ground, and to make the necessary distinction between facts and the causes which may have produced them, apply still more strongly to the publication of Mr. Blake, in much of the reasoning of which I entirely concur. He proposes to prove that it was the gold which rose, and not the paper which fell during the war, although he acknowledges as a matter of fact, that almost all prices, including labour, rose not only in paper but in gold. This has, no doubt, the air of a contradiction, according to all the common modes of estimating the value of money; and it certainly is not removed by showing that the main cause of these high prices was a great demand compared with the supply of commodities—a cause which, involving as it always does, more transactions on credit, and a more rapid circulation

* In poor countries a succession of bad seasons sometimes takes place without any rise in the price of labour, and in that case, though there may be a high price of corn, there is no fall in the natural value of money. It will not be purchased with less labour.

of currency, is one of the most legitimate causes of a fall in the value of money.

Mr. Blake, however, is certainly right in his view of the effects of an unfavourable exchange on the price of gold, when it ceases to form a part of the circulation. It is not only possible that from this cause gold might for a time rise in value much beyond the expense of transporting it; but as a matter of fact, this did unquestionably occur at certain periods during the war. There is no account of the price of agricultural labour in England subsequently to 1811. Probably it did not rise any more; but if it did, judging from what took place in Scotland, it did not rise sufficiently to balance the subsequent rise in the market price of gold; which was from £4. 15*s.* in 1811, to £5. 8*s.** in 1813. Consequently, in 1813, as compared with 1811, the value of gold must have risen considerably; and on the supposition that the price of labour did not rise after 1811, it would appear that the natural and exchangeable value of gold, as measured by the standard, rose above 13½ per cent.

The rise of gold from the sudden fall of the exchange in consequence of Buonaparte's return

* These averages are taken from Lord Lauderdale's *Further Considerations on the State of the Currency, published in* 1813. Appendix, p. 33.

from Elba was still more remarkable. The price had been as low, in the spring of 1815, as *4l.* 9*s.*, and without any known change in the currency price of labour, it rose suddenly to *5l.* 5*s.*, or 18 per cent.; and consequently, to purchase an ounce of gold it was necessary at that time to give commodities worth 18 per cent. more of agricultural labour than it might have been purchased for a month or two before. Whatever might have been the case with the paper, there could not, on any view of the subject, be the slightest foundation for the supposition of a sudden abundance and cheapness of labour just before the battle of Waterloo. In fact, agricultural labour had not fallen, and manufacturing labour was higher than usual; so that even without considering labour as a standard, it must have been acknowledged, that, of these two objects which had altered in relative value, it was the gold which had risen, not the labour which had fallen.

In attempting to measure the *rise* in the value of the currency since the period of the high prices, we shall be greatly assisted by the following very valuable document respecting the price of labour in the county or stewartry of Kircudbright. It is considered that the prices in this table represent pretty nearly (though they are rather below) the wages in

other parts of Scotland. The labourers have no other allowances whatever except the daily wages specified in the table. In the intermediate years not quoted the wages remained stationary at the rates last mentioned; and when any change took place, the period of such change and the degree of it are regularly stated.

| Years. | Rate per day in winter. | Rate per day in summer. | Years. | Rate per day in winter. | Rate per day in summer. |
|---|---|---|---|---|---|
| 1760 | 4*d* | 6*d*. | 1799 | 12*d*. | 15*d*. |
| 1765 | 6*d*. | 8*d*. | 1800 | 14*d*. | 16*d*. |
| 1770 | 8*d*. | 10*d*. | 1802 | 16*d*. | 18*d*. |
| 1772 | 8*d*. | 12*d*. | 1811 | 18*d*. | 22*d*. |
| 1776 | 7*d*. | 9*d*. | 1812 | 20*d*. | 24*d*. |
| 1780 | 8*d*. | 10*d*. | 1816 | 18*d*. | 22*d*. |
| 1791 | 8*d*. | 11*d*. | 1817 | 16*d*. | 20*d*. |
| 1793 | 9*d*. | 12*d*. | 1819 | 15*d*. | 18*d*. |
| 1798 | 11*d*. | 14*d*. | 1822 | 12*d*. | 15*d*. |

In 1812, farm servants boarded in the house received from 14*l*. to 22*l*. a year; women servants from 5*l*. to 8*l*. At present, (April, 1823,) men receive from 10*l*. to 14*l*., and women from 3*l*. 10*s*. to 6*l*.

Masons' wages per day were three shillings in 1812, and are now half-a-crown.

All work done by the piece, such as building stone fences, cutting ditches either for fences or drains, making roads, &c. may be

done at a greater reduction of price than the fall in the rate of labour by the day. Work is now performed more frequently by the piece; and the best labourers are employed by the day; while the inferior workmen, and those unable from age, or other causes, to perform a full day's work, are turned over to work by the piece. Agricultural affairs are under such depression, that the work is curtailed, and the competition for work is thereby increased.*

The first thing that strikes us in the table is the very remarkable rise of labour in Scotland from 1760—much greater than in England, and much greater than in proportion to the rise in the price of corn. This was no doubt owing in part to the comparatively unimproved state of the district in question, and of Scotland in general at the earliest period adverted to. But to go no farther back than 1790, the period with which we commenced in England, it appears that the rise from 1790 to 1811, was considerably greater than in England, and nearly in proportion to the rise in the price of wheat.

* For the foregoing valuable table, and the information accompanying it, I am indebted to Mr. Mure, of Kircudbright, through the kind intervention of Mr. M'Culloch, of Edinburgh.

If, indeed, we take the price of labour as mentioned in the table for 1812, and compare it with the average price of wheat for the four years from 1812 to 1815 inclusive, during which period the same price of labour seems to have continued, it will appear, that labour, taking summer and winter wages together, rose in the proportion of from 19*s.* to 44*s.*, while wheat rose from 43*s.* in 1792, (according to the average of England and Wales, which commences with that year,) to 88*s.* and therefore labour rose decidedly more than wheat, except in reference to the peculiarly high price of wheat in 1812.

Taking the currency price of labour in Scotland as having risen from 9½*d.* to 22*d.*, and reducing the 22*d.* to its value in bullion, the average price of bullion in that year being 5*l.* 1*s.*, it will appear, that the bullion price of labour in Scotland rose, in the interval between 1790 and 1812, from 9½*d.* to 16½*d.*, or nearly 73 per cent. And consequently, the same quantity of gold for which it would have been necessary to give commodities worth 173 days labour in 1790, might be purchased for 100 days labour in 1812; or the value of the currency estimated in gold might be considered as having fallen in that proportion.

In 1812, the bullion price of labour as above stated was 16½*d.*; it has since fallen to 13½*d.*; or in the proportion of from 100 to 81·8—rather more than 18 per cent. This view of it shows most clearly the change in the bullion value of the currency since 1812. But if we wish to estimate the whole fall which has taken place in the currency, and then subtract what is due to the difference between paper and gold, it will appear that the whole fall since 1812, estimated on the currency wages of 1812, has been rather less than 39 per cent.; of which, if the average difference between paper and gold in the year 1812 was as 101 to 78, about 23 per cent. would belong to the paper, leaving about 16 per cent. for the fall in the currency independently of the excess of paper prices above gold prices. The apparent difference in the results of these estimates arises merely from the per centage in the latter case being taken on a higher number.

I stated before, that I was not aware of any data on which reliance could be placed respecting the amount of the fall of agricultural wages in England since the termination of the war; but on the supposition that the wages, which in 1810 and 1811 were 14*s.* 6*d.* per week, had fallen to 10*s.* then as the bullion wages of 1810 and 1811 were a little above 12*s.*, the

fall in the bullion value of the currency would be nearly 17 per cent., or for the same quantity of gold which in 1810 and 1811 might be purchased by commodities worth 83 days labour, it would now be necessary to give commodities the natural value of which would be represented by 100 days labour. This difference of course includes the effects which have been attributed to the purchases of bullion by the Bank with a view to a return to cash payments, the amount of which separately it is scarcely possible to calculate; but I am inclined to agree with Mr. Tooke in thinking that it is not above one or two per cent. If the price of agricultural labour in England has not fallen so much as is here supposed, the difference in the value of the currency will not be so great as above stated, but on any supposition which is at all probable, it must be something considerable.

It is certain therefore that the currency, estimated in what appears to be a correct standard of value, has fallen in such a degree beyond the difference between paper and gold, as to add much to the pressure upon the landed interest, though by no means to the extent which would be implied by measuring the value of the currency in agricultural produce. This pro-

duce, from the scantiness of the supply compared with the demand, was at one time much above its natural and ordinary value, and has since, from the abundance of the supply compared with the demand, been as much below its natural value; while the value of the currency, though it has fallen and risen considerably, has been much more steady than the value of corn.

To what extent the alterations in the value of the currency beyond the difference between bullion and paper are attributable to the Bank restriction, and the return to cash payments, it is by no means easy to say. That the currency would have fallen very considerably under the circumstances of the last war, and risen very considerably under the circumstances which accompanied the peace, although paper had been kept on a par with gold, I cannot feel the least doubt; and probably the only difference has been, that as the increase of paper beyond what would circulate at par with gold gave facilities to production, and to the bringing of poor land into cultivation during the war, it has tended to increase the glut and low prices since the peace.

But whatever may have been the pressure on the owners of land since the peace, they cannot

have the slightest plea for an attempt to indemnify themselves at the expense of the public creditor. In the turns of the wheel of fortune all parties should have fair play; no class of persons can be justified in endeavouring to lift themselves up by using unfair and dishonourable means to pull others down; and least of all ought such means to be thought of by the landlords of this country, who, whatever inconveniences they may have suffered latterly, have unquestionably altogether benefited much more largely from the alterations in the value of the currency, than the very persons who in their opinion should be made to relieve them from their embarrassments.

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# AN ESSAY

ON THE

# MANAGEMENT AND MISMANAGEMENT

OF THE

# CURRENCY.

BY THE AUTHOR OF
" AN ESSAY ON THE RENT OF LAND."

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# THE CURRENCY.

The jealousy with which the exportation of useful commodities, such as wool, corn, and most kinds of provisions, was formerly viewed, has latterly given place to a not more intelligent extreme. The number of producers bears a pretty near proportion to that of consumers in a trading community, in which both characters meet in almost every individual; and in an equal ratio is the necessity of disposing of produce. Of this the people are now so well convinced, that they have brought themselves to rejoice in the sum of their exports, without regard to the rational end of exportation, which should be to enrich the country with a more valuable return of foreign produce. Nay, in this view of affairs some have taken peculiar delight, since the goods sent out of the country have so rapidly exceeded the commodities

brought into the country, as,—if not to establish the benevolent character of our commerce,—at least to feed the imaginations of these persons with the idea, that a favourable balance of trade is always begotten of this inequality. It seems now to be admitted, however, that the exchange of money has also been against us for a number of years, as well as the exchange of merchandize; and an alarm has seized upon the nation, not so much owing to the connexion of these circumstances, as to the simple fact of the parting with its money. A state of apprehension is not the best fitted to the nature of the inquiry now contemplated; but if in the course of this discussion it should be necessary to awaken some reasonable fears, it is not the less prudent to make way for them, by endeavouring to dispel one that is altogether unreasonable and absurd.

It cannot be too frequently repeated, that the importation and exportation of specie are more properly the consequences and remedies of evils, than evils in themselves. The countries do not lose by this traffic, but it is beneficial to those which engage in it. It may be in the power of a nation to be always so well provided with gold and silver, as never to experience those sudden emergencies which occasion the temporary fluctuations in their value; but to do so, it must devote a considerable portion of capital to their accumulation, that might be often more profitably employed. In the increase and decrease of trade, and in the varying forms which it assumes, there are continual mutations in its uses for money. At one time the quantity which it actually requires will be great, at other times it will be comparatively small; so that, to be prepared for every vicissitude, it would be necessary to lay by a

much larger sum than is always or usually required. If other nations acted upon this principle, there is no doubt but we should be obliged to do the same; but such a practice would not be consonant with the common interests of commerce.

The trade of a country must be influenced by the same motive which directs its particular transactions, and that is the desire of gain; there is therefore a strict analogy between public and private interest. A manufacturer does not lay by the whole of his profits in trade, because he may one day find it necessary to enlarge his circulating capital; he does not abstain from improving his machinery, and extending his premises, because the price of labour and raw material may rise, or (which is exceedingly probable) he may require an extra quantity of both; and, if he cannot employ it better, he does not refuse to lend money on interest, lest he should not reserve enough for the demands of his business. On the contrary, he risks the temporary exigency of a small sum, rather than keep permanently by him a large sum which he may seldom require. But for this economy, which adapts itself to the general convenience, and is therefore more or less generally practised, the circulating medium of a country would need to be more ample; but for the adoption of the same economy by all countries, a larger quantity of the precious metals would have to be converted into money, or to be circulated in bars, in lieu of money. The expense of providing this extra quantity of the precious metals is therefore saved by the trade in money.

This analogy should instruct us why those periods are the most prosperous when the occasion for more circulating capital is felt, and when it can be supplied with a liberal, yet not a lavish hand. It will also show

that, in this respect, it is safer to be frugal than profuse. If the circulating capital of a nation or individual be unwisely increased, two effects will usually follow—a superabundance of produce, and a rise in the cost of production; and the producer is compelled to part with his commodities at a reduced price, when a higher price was necessary to cover the expense of creating them: for it is admitted that the "rise in the cost of production," and therefore in the price of provisions, is immediate. To follow out the consequences of such extravagant speculations,—the first fruits are distributed among the consumers, to enable them in future to pay the higher nominal value which commodities will acquire; and this is the first evil that the producers incur—an unprofitable expenditure of capital. But if the additional money which is thrown into the circulation can be embanked* within a particular district,—an operation which has been effected by the paper expedient of modern times,—then the rise of prices will remain stationary within that particular district, and no where else, and its trade must of necessity be confined within the bounds which its imprudence has prescribed. But cut a channel through this embankment, and let out some of the floating money to purchase commodities of cheaper producers, it will raise their prices and reduce those of the particular district, until it comes into full competition with the neighbouring districts, and is prepared to participate in the commerce of the world. The height of its embankment was the former obstruction to its trade, and that obstruction would be proportional to its height, or rather to the disproportionate quantity of money which it included. After the same manner, a

* Hume probably first suggested the idea of an embankment, in illustration of this subject.

nation that employs an unexportible medium of commerce, banks up its trade in proportion to the excess of that medium above the excess or deficiency of the money circulated abroad.

It is at the same time desirable, that the profits of the trade in money should not be more than will induce a sufficient number of persons to conduct it; for the time and labour thus employed are so many subtractions from the saving which it is intended to effect. And if the large profits are allowed to be monopolised by a few, the case is so much the worse for the rest of the community.

It should also be recollected, that the nation that exports the specie which it at the same time needs, merely because some other nation needs it more, must import it again at its own cost, and perhaps also at a premium sufficient to defray the cost of its prior exportation; or, what is as bad, it may be under the necessity of restraining its further exportation, by some extraordinary inducement, such as a violent reduction in the prices of the commodities which are offered in exchange for it. The same effects are produced, and with greater certainty, by the use of one medium that is exportible, and another that is not; for the latter will take the place of an equal quantity of the former, which it expels from the country, notwithstanding it must again be recalled to maintain the credit of the unexportible medium, and it can only be recalled by displacing its substitute, and thus reducing the people to such a distress for the money which has been exported, as to force them to submit to any sacrifice in order to recover it.

Whenever these evils occur, it is usual to ascribe them to blunders in the management of the circulation; but its superintendents ought not to be liable to such a charge, and the fact of their being so proves something

defective in the monetary system itself. It is the duty of the Government, so long as it retains the prerogative of coining, to provide the country with a perpetual supply of circulating medium; and, like the frugal merchant, it should at the same time see that no irregular interference is allowed to make the stock superabundant. The principle upon which the stock is supplied, if it does not answer these two purposes, must be founded in error. Let us inquire, how, to attain these ends, it ought to act; how, at present, it does act; and how, by correction, it can be made to act better.

1. A country, any more than an individual, has no occasion to lay up a store of money beyond its actual need, for no better reason than because it may be one day wanted. There is no necessity for its expending its labour and produce in procuring gold from distant countries, before it is required for use, while the same portion of labour and produce may be employed in importing commodities which are really desired, and which would therefore more immediately enrich the country. Still there is no method of adjusting, by any system of superintendence, the supply of money to all the vicissitudes of trade. Temporary deficiencies and superfluities will occur in the best regulated currency; and these are precisely the circumstances which it has been attempted to meet in the introductory remarks.

As it would be bad policy to provide against temporary deficiencies, so is the remedy for them very easy, whenever they occur, and by this test it may be known if they be temporary or not.

A temporary deficiency happens when there is at the same time a superfluity in a neighbouring country, and the remedy quickly comes through the operations of the money-market. At such times the interference of

those who have charge of the currency would be attended with needless expense, by stocking the country with a superabundance of medium; and its effects would either be temporary or permanent,—injurious to some, and beneficial to others, or injurious to all alike: it would introduce into the country, at a dear rate, a surplus of specie, which would be so depreciated in our hands as to bear the expense of being deported by foreign countries; or perhaps it would also overcharge the commercial countries with an unnecessary quantity of the precious metals.

A permanent deficiency, or such as would be permanent but for the interference of those who manage the currency, is indicated by a regular drainage of the money-market, which empties itself into the swelling channels of commerce, either at home or abroad. Even this deficiency would in time be repaired by the operations of commerce, if commerce were allowed to be its own doctor; but here the state prerogative usually monopolises the remedy, and "till its nostrum be administered," the circulation must fail. The demand must be authorised by the State, before it obtains the required supply. In this case the currency is in danger of suffering from neglect, as in the former from unnecessary interference.

The superabundance occurs often through injudicious attempts to correct a deficiency, or through the decline of trade; and is permanent or temporary, according to the strength, perseverance, or duration of the cause.

These are the objects to which a regulatory system should be adapted: To guard against interference with the currency upon improper occasions; and to secure the currency from neglect at other times, when interference is required.

2. The superintendence which the Government has exercised over our own currency, does not deserve the name of system. It consists in occasionally renovating a worn-out coinage; and whatever more is done for the currency, is done at hazard, or in obedience to an over-ruling influence. Upon one commercial company is bestowed the power of creating superfluxes and deficiencies, whenever it thinks proper; and it uses this privilege freely, and as it is prompted by its real or imaginary interest. It is difficult to say how large a proportion of the currency is composed of paper, nor would it be very material to the present purpose to ascertain. Assuming that it is only three parts in four,—though it is perhaps nearer nineteen parts in twenty*,—this is surrendering to the Bank of England a mighty authority over the circulation.

The minor banking establishments of England do not fall within our notice. They can only act a subsidiary and inferior part to the Bank of England, in supplying the country with paper money: they cannot influence that establishment, but are influenced by it. If any of the provincial banks withdraw their issues, without being admonished to do so by the example of the Bank of England, they only make room for other competitors; but if the Bank of England stops the supply of its paper, the lesser banks are unable to transact their business to the customary extent. Therefore the whole paper currency of the country is at present under the dominion of the Bank of England; and the paper, forming so large a proportion of the whole, may be said to rule the rest of the circulation.

* The Bank of England and other bank-notes circulating in 1810, have been estimated at L.56,000,000; and the specie at only L.4,000,000.

To observe how the currency is conducted, therefore, we must turn our eyes from the blindfold operations of the Mint, and fix them upon the narrow-sighted manœuvres of the Bank.

This establishment does not fall within the ordinary rules of trade. If it were decidedly a public or decidedly a private establishment, its real interest could be identified with the public interest, inasmuch as the interests of all, rightly understood, conspire in promoting the public welfare. But—we believe it is no new remark—the Bank of England, partaking of the natures of both public and private establishments, exhibits that glaring incompatibility which has been often objected to in the union of offices, where it is to be apprehended that the public interest cannot be sufficiently or safely regarded by individuals who do business upon their own account. If the Bank were restricted to its public functions,—that is to say, invested solely with its charge of the public interest,—its reputation and emolument would be so closely allied to the public prosperity, that it would become at once a responsible agent of the public. If the Bank were placed upon the same footing as private establishments, it would not be in its power to make the public wealth subservient to its own ends. That it has this power—that, being of the nature of a private establishment, and transacting business upon its own account, it is also intrusted with a boundless control over the currency—is all that it is here necessary to show. It is needless to invoke the charity of human nature, in consideration of the weakness of human nature; or to question the probability of such a power being abused wherever it exists, and especially where its management is a secret falling within the sphere of the *private concern*: it is enough

to expose the existence of this control, and the effects that result from its exercise.

According to the system of credit which has been established, a great deal of property, including specie, is represented by paper, which, being circulated instead of money, is necessary to make up the complement of our circulating medium. It has been already observed, that the amount required for this complete supply is an ever-varying quantity, suited to the variable wants of trade; and it follows, that a disproportion between the demand and supply is occasioned by an alteration in the state of trade, by an uncalled-for change in the amount of the circulation, or by the disparity or even contrariety of simultaneous alterations in both. So that, by an undue issue or an undue contraction of its paper, the Bank can at any time produce a superabundance or a deficiency in the circulating medium.

By examining the purposes to which this power can be applied, it will be seen what is the temptation to abuse it.

A surplus of circulating medium reduces the price of gold generally where the superabundance prevails; and more especially in those countries which have the largest surplus, in comparison with those which have the smallest. Gold will be exported from a country when it has a surplus large enough so to depreciate its currency, in comparison with that of another country, as that the difference will defray the cost and profit of transporting it to that country: therefore the largest surplus that any country can long retain, must be less than sufficient to create such a difference; and any country may have a surplus to this extent, without parting with its gold. By the same rule,

the price of gold is raised through a deficiency of circulating medium.

This control over the currency, therefore, can be applied to the raising and lowering of the price of gold; and to a dealer in that precious commodity, no greater advantage could be conceded. The Bank, on which this advantage has been conferred, is necessarily a very considerable dealer in gold, and can, if it thinks proper, extend its speculations beyond the demands to which it is liable, and buy and sell at markets of its own making.

But to this conclusion, it will be objected, that the Bank is unfortunately a seller of gold when gold is cheap. Though to a certain extent this should be admitted, yet, "beyond the demands to which it is liable," it may carry on a traffic in gold to a large amount, and at a profitable rate. If it engage, on the one hand, to deliver ten millions of gold at *some future time*, and on the other hand, to receive thirty millions of gold at a *given time*, it may very conveniently make gold cheap at the period of striking the latter bargain, though it should cause the ten millions, which it owes, to be instantly demanded. Though the Bank issues gold when it is cheap, it is its own fault if it does not also purchase it when it is cheap, or when the commodities which are exchanged for it sell at a high price; and as it obtains gold cheaply in exchange for those commodities when they are dear, so it raises the market for its surplus gold, to exchange it for commodities when they are cheap.

The fallacy of the objection consists in confounding the Bank's issues with its sales: for it will be observed that the Bank does not sell gold when it is cheap. When gold is dear, the Bank sells a description of pa-

per which represents gold, and it very cleverly manages to deliver the gold when it is cheap; though upon some occasions, it must be confessed, that it both sells and delivers gold while it is dear, and by most dealers this would be considered no great hardship either.

The difficulty which presents itself to most minds is, to comprehend how the Bank should be at one time a buyer and seller of gold, when they must presume that it is not imported and exported at the same time. This has been shown to be unnecessary, although it may be sometimes partially the case. When the merchandize is money, there is no difference between the wholesale and retail—the merchant's and the selling-price; and the only profit to be derived from the speculation is that which can be made on time, and by the changes of value to which it gives birth, and of which the speculators are sometimes the cause. The Bank creates a low market for gold, and when it can be obtained so cheap that it is exportible, pays a small part of the sum which it owes, and purchases as much more as it thinks proper.

It does not signify whether the Bank's sales and purchases are performed by mercantile agencies or not; but to simplify the question, it is better to describe them as effected by the Bank itself. If it has to purchase gold, it must provide the exchangeable commodities with which to procure it, and these it will obtain for its first issues of paper. While capital is scarce, the markets for such commodities are generally bad, and the commodities are procured cheap. By its own purchases, and by advancing capital to other speculators, the markets for home produce and manufactures become more brisk. The prices rise, perhaps, until they check the spirit of commercial enterprise which

had begun to display itself, or at least prevent its further expansion; or if they rise more gradually, or keep within a moderate range, commerce may thrive for a while—in either case, if prices do not rise, it shall not be for want of a circulating medium. The Bank proceeds with its issues of paper, and the circulation is overcharged. Gold is depreciated so low as to be exported, and, according to the ridiculous phrase of the money-market, "the Bank takes the alarm:" in other words, it exchanges the commodities which it had purchased at the cheapest rate, but which have now risen in value, for gold that has become cheap, more or less of which it parts with and suffers to be sent abroad, or is not able to prevent it.

By rendering the assumed case in a form but a little more complex, it will be seen that, though it be necessary to provide the exchangeable commodities with which to procure gold, yet it is not necessary to store up those commodities until some operation be performed on the markets, in order to dispose of them to advantage. The inequalities produced by any great derangement of the currency, occasion bad and good markets for commodities, as well as for specie, to subsist at the same time, but in different situations. Money will be scarce and goods cheap in this country, when goods will be dearer, and money more plentiful in France; and the contrast may be still greater, if, instead of with France, we make the comparison with some other country. The Bank purchases the cheap goods in England with its paper, and exports them to the country that will give the highest price for them in gold, and lends paper to other speculators who make the same use of it. Owing to the circulation of the Bank's paper, and the exportation of English goods,

the markets turn, money becoming more plentiful and goods dearer in England, and foreigners find it more convenient to pay their English creditors with the prices which foreign produce will fetch in this country, than to export any more specie for the purpose; and thus probably the Bank receives a quantity of the gold which its notes have displaced, in exchange for the goods which it had purchased with a lesser quantity of its paper, and this supply of gold arrives at the very time when the foreign market is demanding gold. Now, though the Bank is liable for the full sum of its paper issues, yet, being guaranteed to the amount of its loans, its real debt is only to the extent of its paper payment for the goods which it sent abroad, and for which it has received a higher price in gold. After paying this debt, therefore, supposing it to be demanded, it would possess an extra quantity of gold; and with this it may now go into the foreign market, not only with safety, but upon advantageous terms. The Bank's creditors may now begin to demand their share of the gold to speculate also in the foreign market, but it remains in the breast of the Bank whether they will be able to follow up its operations with any chance of success. It is evident that the Bank can, if it please, not only monopolise nearly the whole of this trade, but at the same time double its amount, since, for one million that its creditors would have been able to lay out in the foreign market upon equally advantageous terms, the Bank itself would be able to lay out two millions: for instance, assuming that France, for herself, and to make up the deficiencies of neighbouring countries, requires a currency of L.80,000,000, and has but L.75,000,000; and that England has a circulating medium to the

amount of L.75,000,000, and requires but L.65,000,000; to equalize the exchange between this country and France, only L.7,500,000 would have to be taken from the currency of England to be added to that of France; and if the sum required by this country was L.70,000,000, instead of L.65,000,000, only L.5,000,000 would have to be transferred from England to France, in order to equalise the exchanges; but in the first case it would require L.15,000,000, and in the second L.10,000,000, to be added to the currency of France, in order to produce the same effect, if, instead of being deducted from the currency of England, it is taken from the stores of the Bank, or from any other stores disconnected with the circulation.

Now, supposing these dealings in commodities to be all conducted by mercantile agencies, the case will not be materially altered. Even assuming—what it is too much to grant, considering that the Bank Directory consists of merchants, who will traffic as individuals, if not as a corporation—assuming that the Bank of England restricts itself to the legitimate business of banking; still the result will be pretty nearly the same, as it affects the funds of the Company. Supposing that, instead of trafficking itself, it supplies the export merchants with its paper funds, upon terms proportionate to the scarcity of money, and the chances of employing it with success; if the loans be repaid in paper, the interest must be paid in specie: by this means, also, the Bank will acquire gold, and, through its faculty of rendering money plentiful or scarce, be able to fix the amount which it will acquire.

When specie has been reduced to an exportible price, it begins to operate on other countries; and, if there be any scope for commercial speculation in those coun-

tries, it may affect their trade before it depreciates their currency. However, the extensive operations of the Bank are calculated to keep the circulation of the neighbouring commercial countries, as well as that of its own, in a tendency to repletion. Such a country as France may receive a few millions of specie per annum, without having its currency soon reduced to a par with the price of gold in this country, though it should never be considerably above it; and, from its situation, it may be exporting gold to Spain, or some other country, at the time it is importing it from England; but it is not likely that it could ever receive many millions in one year, without the effects becoming visible; and, at any rate, the Bank of England, if its foreign speculations should fail, has the remedy in its own hands, of contracting its paper issues, and causing "its gold"—another phrase of the money-market—to be brought back to the country at the country's expense.

It is obvious, however, that those transactions of the Bank which occasion the exportation of gold, except it finds its interest in joining in the gold-export-trade, must place more gold in the possession of the Bank than is drawn from its stock, unless it pursues some course of policy that is beyond our comprehension, and inconsistent with the ordinary motives of commerce;—that the depreciation of the currency enables the Bank to obtain gold at a low price, while it also sends gold, but, properly speaking, not the Bank's gold, out of the country;—and consequently, that whenever the Bank wishes to stock itself with gold, it is its interest, and no doubt its practice, first to avail itself of the power which Parliament has conferred upon it, of rendering it cheap by overloading the circulation.

The evil of course does not end here: for, by contracting its issues, the Bank can very soon make a good market, if it be not already made, for the gold which it has purchased at a bad one. This, however, is not the sole inducement to the accumulation of gold and silver. The foreign and domestic loans are advanced from these and similar stores, which are therefore to be regarded as the money-merchants' stocks in trade, which are not necessarily returned to our circulation, but are emptied by wholesale into the most favourable markets at home or abroad.

Hume, in one of his commercial essays, celebrates the paper system as an ingenious contrivance of "modern politics" to banish money; but he did not perceive that it also facilitates the practise of amassing it, after a method of accumulation not less injurious to the nation, than the generous credit that deprives it of its circulating gold.

These stores, having been once accumulated, cease to affect the currency, with which they have no longer any communication, till such time as they are again poured back upon the market; and their effect is then seldom observed, because they never tend directly to increase the circulation, but to prevent its diminution. When there is a scarcity of circulating medium, it is seen that the Bank has a favourable opportunity for issuing its notes, and then of accumulating gold; but when the currency is depreciated, the gold which it discharges on the market, or sends abroad, not only establishes permanently the real depreciation to a greater or less extent, but prolongs the relative depreciation in respect to the currency of other countries, inasmuch as the sum taken from one market to equalise it with another, need not be half so large as the sum

which would be required from a private store to be added to the market that is deficient.

Men in business experience the particular disadvantages which result from fluctuations in the currency, without always tracing them to the true cause; but scorned theorists, having but very little of what is termed "practical knowledge," can nevertheless see that the country loses money by the system, which is likewise so injurious to individuals; and that the expense of these unnecessary transmissions of specie from one country to another, is the price which the public pays for an infinitude of private inconveniences.

3. In seeking out a remedy for the evils which have been traced to the present superintendence of the currency, it behoves us to proceed with caution, lest we confound the tests of an economical management, with those of an abuse of the circulating medium. The difference is extremely wide, but there is a processory resemblance, which subjects the one to be mistaken for the other, where the causes are hidden, and the ultimate effects too desultory to be closely observed. It has been already said, that the temporary inequalities of the circulation should be left to be remedied by the money-market; but that such as are of a permanent character should be repaired in good time by those who have charge of the currency. Under the present system, these inequalities are not to be distinguished from the effects of the Bank's speculations. The permanent superfluity drains the country of its gold; and the permanent deficiency brings it back again, or at least as much of it as the country can afford to import. With the facility of circulating paper, the latter evil, a deficiency of medium, never need occur, and never would but for the niggardly apprehensions, or viler confi-

dence of the Bank, to which we are indebted for the occurrence of the former. The temporary inconveniences that have been alluded to, are only to be distinguished from those which are permanent, by the shorter continuance of the price of gold above or below the par of exchange: they would sometimes occur in the natural course of trade, but there is at present no knowing when they so happen, and when they result from the operations of the Bank, though, while the temptation continues, it is natural to conclude that they oftener proceed from design; but there is this certainty with respect to the permanent inconveniences, that we know they can only happen through the influence of the Bank. Now, the exportation and importation of specie are the remedies for temporary superfluities and deficiencies of the circulating medium, against which it would be impolitic to provide, and therefore ought not to be condemned; but it is desirable that we be not exposed to these inconveniences, as well as to their remedies, through the mismanagement or avarice of those who have charge of the currency; and that the evils, when they do occur, be not unnecessarily or designedly prolonged by the same causes. The system that would best secure us from these dangers, is that which we should be willing to espouse. To this end we shall endeavour to adjust what is further to be said upon the subject.

There can be no doubt that the circulating medium ought to be adequate to the commerce of the country, and that persons who have property should be subject to as little embarrassment or difficulty as possible in converting it into money. It is equally obvious that it ought to be a substantial and secure medium. If it be not commensurate with the wants of

commerce, it hardly serves the end for which it was invented; and if it be not secure, it is a greater evil than any that it was intended to remove. There is now-a-day no difficulty in keeping up a supply of medium; therefore our principal object should be to obtain a secure instrument of exchange, and, what is of equal importance, its secure management. How, therefore, can the supply be kept up with the greatest security? That is the question at present.

By a secure instrument of exchange is to be understood something easily transmissible, that possesses an intrinsic value at all times equal to its denomination, or that of all things is the least subject to fluctuation. Gold, being found to possess these qualities in the greatest perfection, proves the best material for the instrument of the higher denominations, and inferior metals are generally employed for that of the lower; and there is but little difference of opinion as to the form in which the metallic medium ought to be circulated.

The issue of assayed gold in bars of a certain weight, has been recommended; but this plan is not entirely free from the inconveniences of barter, since it would oblige people to carry scales for weighing gold; but a coinage, in a tolerably perfect state, guarantees the weight as well as the assay of the metal. Nevertheless the transference of assayed ingots has been found very convenient for the payment of large sums which can be more easily weighed than counted and examined in tale.

And in coining there should be some care in fixing the seigniorage, to see that it covers the whole expenses of the Mint, and that it does not considerably exceed them. In the one case there is danger of its disappearing, and in the other, if not of its accumulating too

fast, yet of its being thrown back upon the country in too considerable quantities, after a temporary disappearance; but there is not the same danger with ingots of gold, which have not a fixed, as well as a fluctuating value.

The only assignable reason for investing the chief magistrate with the management of the coinage, is, that it may be duly authorised and assayed;—that the circulation should not be indiscriminately increased by admixtures of uncertain value, as would be the case if every person were allowed to issue money at pleasure. The privilege was therefore circumscribed as much as possible; and for the same reasons the prerogative ought not to be farmed by a commercial company, who would be frequently tempted to depreciate the currency.

Of that portion of the circulating medium which, though consisting of paper, is constituted by law an irrefusable tender of money, it has been very properly urged that it should be issued, if at all, by the Government. Indeed, the reasons for the Government's superintending the currency, apply more strongly to this part of it than the other, because of its facility and the utter worthlessness of the instrument. Within a limited district, perhaps, the known credit of the issuers is the best assay which can be given to such money; but then, unless convertible into gold, the security is deteriorated, and the circulation of paper unduly expanded beyond the simple notion of credit. Paper convertible into paper, that can only be converted into gold at a great expense to the creditor, is the farce which has been often, and cannot be too often decried. Every part of the national currency—a currency compulsory on the nation—ought to be under the same

control as the coins of the realm. In this respect, however, the regal prerogative has been mocked beyond example. In former times, we read, the privilege of coining was claimed by "divers Bishops and Monasteries;" but even then it was only permitted to be carried on under the instructions of the Mint. Here we see the privilege of substituting paper for coins, carried to an extent that necessarily directs the operations of the Mint, for the Government cannot do less than coin the gold of the Bank, or permit that establishment to pay its notes in bars, on representing the demands against it to exceed the quantity of coined gold in the country.

As to the expediency of a Government paper currency, whole or part, little need be said. Its adoption might prove beneficial; but, as *credit* requires a solid foundation, one would like to have the best opinion of the Government to be entrusted with so much. In that case it would be preferable to debts and Exchequer-bills, bearing interest. In other respects I see no necessity for it; and as a part of the currency, I do not foresee its utility, because the circulation of paper would be always sufficiently extended by the private banks. On this head, therefore, we have only to concur in the common opinion, that the privilege of the Bank of England should be allowed to expire; and that, for the better security of the public, the number of partners in private banking companies throughout the whole kingdom should be unlimited, and their notes payable in gold. This being accomplished, the currency would again fall under the regulation of the constituted and responsible authorities.

But some better security should be required for the management of the currency, than merely transferring

it from the hands of the Bank to those of the Government, though in that measure alone would be comparative safety. It is probable that the Legislature will one day see the expediency of proposing, not to say imposing, some restrictions upon whoever has the charge of the national currency, whether metallic or paper. The issues should be governed by some indicia of the wants of trade, such as the course of exchange with foreign countries, and the price of bullion. There should be times when it would be illegal to make any new issues, and others when it would be illegal to delay it; and these seasons have been already pointed out in a branch of this essay.

A little more caution is requisite in issuing, than in abstaining from issuing. When it is evident that gold is being exported, it is obviously the only safe course to abstain from adding to the currency, and to allow the superabundance to be sent abroad; but when gold is flowing into the country, it would be well to ascertain whether it proceeds from a temporary or permanent cause, to observe its effects upon the general exchanges of the Continent, and to compare these with the natural value of the precious metals, before venturing to interfere. In a country whose currency consists principally of paper, more especial precaution is required, because it is the more difficult to discharge the country of a superabundance. If the currency consisted entirely or principally of metal, the superfluity would speedily vanish, and the state of the money-market would adjust itself to the state of trade; but when paper has been substituted for gold in all the internal commerce of the country, the superflux may continue, notwithstanding the exportation of specie, and cannot be discharged without a very serious contraction of the paper

issues, such as would be sufficient to recall some portion of gold for the purposes of our inland trade. It can be shown, that a slight contraction of the Bank's issues, has not been sufficient to correct a depreciation of the currency, which has continued for some time.

From the annual returns of the Bank, as prescribed by the Act 55 George III. c. 185, to be delivered to the Commissioners of Stamps, it appears that the contraction of its issues since 1823 has been little more than one million*; yet during the same time the gold exported was at least six millions; some say a great deal more; and it is not known how many millions were taken off the market by the Bank during the same

* I may be allowed to refer to the communications which were made by the Governor of the Bank of England, at the last half-yearly Court of Proprietors, (held 22d Sept. 1825,) merely for the purpose of expressing my belief, that they support the theory maintained in this Essay.

In answer to several questions from a proprietor, (Mr Young,) the Governor stated, that the amount of the Bank's notes in circulation was then L.18,200,000, about L.400,000 less than it was that time twelvemonths; consequently there had not been within the last year any great change in the amount of the circulation.

That there had been very little increase or decrease in the sale of Exchequer-bills—a subject upon which the public had been very much deceived. During the last year the Bank sold only to the amount of about L.670,000, and that sale occupied a space of nearly three months.

That the amount of the Bank's advances upon mortgages did not exceed L.1,400,000: [for it had been supposed that this new practice had caused the discounting system to be materially restricted.]

That the advances upon stock were misstated on a former occasion at L.500,000 and L.600,000, when they were only L.480,000; and that the subsequent increase had not been much.

To the following question—"What has been the principal occasion of the recent extraordinary fluctuations in the market?"—the Governor *would not plead ignorance of such matters;* but he declared, that whatever fluctuations had

period, before gold advanced above its lowest price in relation to paper or specie, viz. L.3, 17s. 6d. per ounce. The depreciation of that period, therefore, is very evident, and was far beyond the Bank's remedy of contracting only a million of its paper—a contraction, besides, which has, in this case, been almost counteracted by an increase of some hundred thousands in the issues of the country banks; which proves that there had been no reduction in the country circulation of the Bank's paper, at least none to impede the business of the provincial banks.

Some persons have included the exportation of silver in the argument; but this is an error. Paper is not a substitute for silver, but for gold. Silver has no substitute: therefore, if its quantity become deficient, a fresh supply must be speedily had; as, if superabundant, it will be diminished by the speculations in bullion. However, the augmentation of the gold or paper currency makes occasion for and introduces more silver change; and the diminution of the former renders superfluous a relative quantity of the latter; therefore

prevailed, had not been owing to any conduct of the Court of Directors. However, it seems like the knowledge of an abettor, if not that of an actor, not to be ignorant of such matters. It has been shown, that the immediate effect of some acts of the Bank is not perceptible either in the money-market or in the state of the circulation. The Bank can take the earliest advantage of a good market for its gold, which it abstracts from stores that had been collected some time before. By this means the depreciation of our currency relatively to that of some other country, which creates the good market for gold, is only less speedily corrected than it otherwise would be; in other words, the exportation of gold continues for a longer period, than if the sums which are sent to France were taken immediately off our market, or deducted from our circulation, for in that case an equilibrium in the currency of both countries would be sooner attained.

silver, by its increase or decrease, does not depreciate or enhance the currency, but merely conforms to the general state of the circulating medium, and partakes of its depreciation or rise. The depreciation is caused by the addition of paper to gold, or by the multiplication either of gold or paper; but the increase of silver is only a collateral effect, and does not conspire causatively with the increase of gold and paper, or with either, to depreciate the currency.

The exportation of specie, in consequence of its depreciation, naturally reacts upon its value in our market, by making it scarcer; and accordingly it is observed, that the price of gold generally rises as the rate of exchange declines, and falls as the exchanges rise. Still, however, the rise and fall of gold have not been proportional to the rise and fall of the exchange*, which helps to show that the influence of the exchange is opposed by some tendency to depreciation in the currency. The course of exchange is probably affected by the operations of the Bank, sometimes inciting speculators to greater or less purchases of foreign goods than the exports of our manufactures will balance; and the influence of an unfavourable course of exchange should be to raise the price of gold, or to promote the exportation of domestic produce; yet sometimes we observe that the price of gold falls, and that at other times it does not rise, upon the fall of the exchange †, while at some of

* When gold was £4, 3s. per oz., the exchange on Paris was from 23f. 35c. to 70c.; when gold was at £3, 17s. 10½d, the same exchange fluctuated between 24f. 90c. and 25f. 70c.; while gold was at £3, 17s. 6d., the exchange on Paris was generally from 25f. 15c. to 85c.; with gold at £3, 17s. 9d., the exchange on Paris was at 25f. 5c. and 12½c.; and with gold again at £3, 17s. 10½d., the exchange on Paris fluctuated from 25f. 5c. to 12½c.

† In November, 1819, gold was at £3, 18s., and the exchange on Paris from 25f. to 25f. 5c.; and the exchange

these periods our exports, except those of bullion, have rather declined than increased.* That we have foreign payments to make in money, and not in goods, should be a convincing proof that the currency is depreciated; but the proof is so much the stronger when the transmission of money fails speedily to equalize or turn the course of exchange.

Upon several occasions I have felt disposed to avail myself of the clear and skilful expositions by Major Torrens; but upon this question of depreciation,

was the same in December, 1819, 1824, and in March, June, and July, 1825, when gold was at £3, 17s. 9d., and £3, 17s. 10½d.; and the exchange was only 25f. 15c. dis. to 25f. 20c. in July, 25f. 20c. to 25f. 15c. in August, and 25f. 10c. dis. to 25f. 12½ in October, 1824, during all which time gold was only £3, 17s. 6d. per oz., at which price it had continued since May, 1822, while the Paris exchange had stood pretty evenly from 25f. 40c. to 25f. 85c. In December, 1818, the Paris exchange was 23f. 70c. to 65c., and gold at £4, 3s.; but in March, 1819, gold had fallen to £4, 1s. 6d., and the exchange had also fallen to 23f. 55c. and 60c.

* The unfavourable exchange with Paris commenced in July, 1824, with gold at L.3, 17s. 6d., when gold gradually rose, first to L.3, 17s. 9d., then to L.3, 17s. 10½d., the Mint price, above which it will not go. During the unfavourable exchange, and the consequent exportation of gold, the relative quantity of goods imported was continually increased, instead of being diminished: for instance, In 1824 the excess of our exports above our imports was L.6,307,438, 11s. 9d. of official valuation less than in 1823, L.4,012,081, 18s. 1d. less than in 1822, even L.2,921,272, 15s. 2d. less than in 1818, and a trifle less than in 1819; and the quarter ending March, 1825, exhibited a similar result.

Another important coincidence is, that while foreign produce naturally rose under its extra demand, with the exportation of gold, and while our own produce has also risen in price, perhaps owing to the depreciation of money, no higher price seems to have been obtained for that part of our produce which has been exported; for the official value was to the declared value of our exports in 1823, as L.58,464,122, 9s.

as upon some others*, "I have differed very decidedly from that perspicuous, though fallacious writer. In particular, I disagree with him as to the comparative advantages of an increase of money, and an increase of goods. It is certain that neither would be an advantage, if it happened not to be wanted; but Major Torrens contends that in this case an increase of money would be more advantageous than an extraordinary supply of other articles, because it "would necessarily reduce the value of money; or, in other words, would raise the money price of all other commodities; and the rise of prices would produce all the benefits to trade and industry, which have already been described†:" namely, advance the prices of commodities and of labour,—an ad-

3d. to L.36,968,964, 9s. 9d.; and in 1824, as L.32,408,277, 7s. 2d. to L.35,458,048, 13s. 6d.

The exchange has since been restored to par, and gold has again fallen to L.3, 17s. 9d.; and if the exchange continues for any time at or above par, there is a chance that gold will again descend to L.3, 17s. 6d. the ounce.

* Upon the bullion question, I have embraced the opinions of Mr Ricardo, as I believe, to the farthest practicable extent. Major Torrens, however, approves of a coinage, because it is less exportible than bullion; which, in my judgment, appears its only inconvenience—one that I am resigned to by its greater utility in other respects—the advantages, more than balancing this disadvantage, of the *small* pieces being coined.

Also, the preference which this author, in common with the Earl of Lauderdale and others, has pronounced in favour of a silver standard, appears to me unfounded. If it could be proved that gold is more, or even so much given to fluctuation in its real value as silver, then it would be time to lend an ear to the only other objection—the difficulty it creates in calculating the foreign exchanges; but while its former apparent fluctuations are justly ascribable to other causes, which they have not survived, I cannot help thinking that this difficulty in the exchanges, if it be deemed sufficiently serious, would be better obviated by foreigners adopting our standard, than by our adopting their's.

† "*Essay on Money and Paper Currency*," Chap. 2. p. 26.

vantage that I cannot comprehend, unless it can be shown that it would improve the real wages of labour, that is, advance the price of labour, without advancing the price of commodities.

Major Torrens admits, that "the value of every thing is regulated by the proportion which exists between the supply and the demand."* How, then, shall we know if an increase of money be valuable or not, or if it be demanded or not? When there is a demand for money, money could be added to the circulation without being depreciated, and without raising prices, for its demand would proceed from an increase of other productions. If that increase resulted from new facilities of production, prices may not require to be sustained by an increase of money; but if it results from an increased application of ordinary means, the additional money will be demanded to enable the producers to keep up the increased supply of commodities, without a reduction of prices.

But, in a subsequent work, Major Torrens has carried his doctrine a little farther: for he there denies that a depreciation can result from any other causes than the following:—"If, while the precious metals retain their customary relation to other things, the coin should be clipped, or worn, or adulterated, its value would sink, and it would be in a state of depreciation. Again: if a diminution of commercial transactions, or the introduction of greater economy in the use of currency should diminish the demand for money, then the coin would become redundant with respect to bullion; though of standard weight and fineness, it would, to the full amount of the labour and risk required to re-

* "*Essay on Money, &c.*" Chap. 2, p. 26.

store it to the state of bullion, lose a portion of its exchangeable value; and, therefore, in this case also, it would be depreciated."*

Here the price of bullion, determinable in a depreciated currency, is assumed as the standard of value; and the difference between the value of coin and that of bullion, is taken as the measure of a depreciation in the currency. Whereas the only measure of value, or of depreciation is the relative quantity of one commodity that can be obtained for others. Bullion can be no more this measure of value to the currency, than flour is to bread, or sheep to mutton: but if the one is depreciated, so will be the other, and the difference in their price can be only to the extent "of the labour and risk," of converting the same substance from one state into the other, as the occasion may seem to require.

The same authority adds—"But when an unfavourable balance of foreign payments diminishes the supply of the metals, and raises the market price of bullion above the Mint price, the effect is very different. In this case, the value of money is raised, instead of being lowered."*

The value of money is undoubtedly raised in proportion to the quantity exported; but if it had not been previously depreciated, probably none would have been exported; and it will still continue depreciated, until a sufficient quantity has been exported to restore the value of that which remains. That bullion is enhanced in relation to money, does not prove that both are not depreciated, but renders it probable that they are; because gold, when it is dear, will only be exported

* "*A Comparative Estimate of the effects which a Continuance and Removal of the Restriction on Cash Payments would produce.*" p. 21.

upon very extraordinary occasions. Such is not the balance of trade, which may be the effect of a relative depreciation in the currency of one nation, compared with that of another. A foreign loan is hardly an exception, because, if it be not advanced from private stores, the probability is, that the whole or greater part will be transmitted in commodities best suited to the market of the country in which the loan is to be paid. A deficient harvest is no certain criterion, because, when the currency is not depreciated, goods may be a more eligible payment than money, for an extra supply of corn; since the country which is able to increase the sale of its raw produce, will be able to consume a larger quantity of hardware, cloth, and other manufactured commodities. And, with one exception, all the other criteria mentioned by Major Torrens*, as exhibited during the restriction of cash payments,

* "This conclusion,"—that gold had experienced a temporary elevation,—"would be strengthened if, at the same time, silver, the next eligible article with which to balance an extraordinary foreign debt, rose in a less proportion than gold. And if those finer articles of commerce which contain the greatest value in the smallest bulk, experienced a graduated elevation, whilst the coarser and more bulky commodities remained nearly at their former price; if, with the principal foreign markets, the real, as well as the computed and apparent exchange, was against us; and if the issues of the Bank were not unusually enlarged, or were rather diminished than increased; then should we possess a resistless chain of circumstantial evidence, proving that the fluctuations of foreign trade had given to gold a temporary elevation above the level marked by the cost of its production." The principal error is in applying these tests to a wrong period, during the Bank restriction, when they may very well have marked the progress of a depreciation in the currency, instead of an elevation of gold; and in supposing them to be also exemplified in "the history of our currency before and after the passing of the Restriction Act." See *Comparative Estimate*," p. 33, 47-48.

more accurately indicated a depreciation of the currency than the reverse. The exception to which I allude is the following:—"If the issues of the Bank were not unusually enlarged, or were rather diminished than increased." Generally, I admit the influence of this circumstance to bear against the inference of a depreciation; though I still contend, that it cannot have any such influence, if the issues of the Bank, while "not unusually enlarged," become from any cause too considerable for the state of our trade, or if they be not at proper times sufficiently "diminished." Upon this head Major Torrens is not well supported by his facts.

Major Torrens observes*,—"In the year 1795, we incurred, in consequence of our contributions to the Continental struggle, a great foreign expenditure, while a deficient harvest at home caused our imports of grain, to exceed our exports by 1,900,000 quarters. The consequences were, that as the Bank directors declared†, the market price of gold rose to L.4, 3s. and L.4, 4s. the ounce; and that silver, which in the beginning of the year had been to gold as 1 to 14.94, became only as 1 to 15.24. At this time the amount of Bank paper in circulation was L.11,000,000. From this period to the year 1799, our foreign expenditure diminished, and more favourable harvests reduced our annual importations of grain by half a million of quarters. The consequences were, that the market price of gold fell something below the Mint price; and that silver, in reference to gold, became as 1 to 14.30, and even as 1 to 14.09; though, while those events were in process, the amount of Bank paper in circulation amounted to L.14,000,000."

* *Comparative Estimate*, p. 47.

† Secret Committee of the House of Lords, p. 152.

I must here repeat, that the rise of the market above the Mint price of gold, is no sign of its real elevation in value. If the currency was depreciated in 1795, and not depreciated or less depreciated in 1799, gold may have been cheaper at L.4, 3s. to L.4, 4s. in the former period, than at L.3, 17s. 10½d. in the latter. This appears to have been the case. In 1795 there was a forced exportation of gold in aid of the Continental struggle. That corn was imported at the same time, may or may not have been owing to its nominal dearth, in consequence of a profusion of money. All this time there was no doubt a run upon the Bank for gold, until its exportation declined from money becoming scarcer. To relieve the Bank in future from the inconvenience of a demand for gold while Government was at the same time sending gold out of the country, the Restriction Act was passed in 1797, less than two years afterwards. In four years afterwards, (1799,) when gold no longer constituted a necessary part of the home circulation, and when there was a call for money, in consequence of the extension of trade, L.14,000,000 of Bank paper may have been a very moderate complement of circulating medium; and it is not at all surprising that gold then fell something below the Mint price, or, in other words, that paper had become worth the quantity of gold which it purported to represent. No other instrument of exchange could then be insisted upon; no other was therefore demanded. Bullion consequently had become cheaper in relation to paper and coins, because paper and coins were more easily convertible into goods; and, with this preference for specie and paper, goods had become cheap in relation to bullion, as well as to specie and paper. Instead of being

demanded for exportation, therefore, it was now freely thrown upon our market, in exchange for paper or specie with which to purchase goods, and we find that this sudden return of gold produced an immediate effect upon the bullion-market. The premium which it offered for paper caused an additional issue of L.1,000,000 by the Bank, which, together with the increase of gold, must have so rapidly depreciated the currency, and raised the prices of domestic produce, as to exhibit the following effects:—

"In 1800, our foreign expenditure again became considerable; while the very deficient harvest of the preceding year, caused our imports of grain to exceed our exports by 2,089,608 quarters. The market price of gold now rose to L.4, 5s. per ounce, and the amount of Bank of England paper in circulation was L.15,000,000."*

The depreciation of the currency was again contrived to enable our Government to export gold; and the corn imported, which in the previous year would have been more conveniently paid for in goods, would this year be more conveniently paid for in money. "From 1802 to 1808," continues Major Torrens, "our foreign expenditure, and our importations of grain were considerably reduced, and consequently the market-price of the metals fell; though the amount of Bank of England paper in circulation rose to L.17,000,000."* That is only one million in six years, notwithstanding the exportation of gold. No wonder that the metals again rose in value, which is consistent with a fall in their exchange with current coin or paper. Besides, Major Torrens has omitted to notice a very important coincidence,—that the official value of ex-

* "*Comparative Estimate*," p. 48.

ports during the same period generally increased; but the exports to the Continent alone, whither bullion was still sent, though not in such large quantities as at some other periods, gradually diminished.

But we find that when the circulation was really augmented by the issues of the Bank, the currency was as certainly depreciated, and gold attained an extraordinary market-price in relation to that depreciated currency. When, by the increase of a paper currency *not convertible into gold*, a country has been so drained of its bullion, that its price in the depreciated currency renders it a less eligible article of export than some other commodities, the preference will naturally be given to the latter: this seems to have been the case in several succeeding years, when the exports rose 9 or 10 millions, and even those to the Continent rose 8 millions in the two following years. In those years, 1809 and 1810, the amount of Bank paper was increased by 5 millions: gold rose to L.4, 11s. In April, 1814, L.4,280,220 had been added to the circulation by the Bank, and gold rose to L.5, 5s.—a most extraordinary elevation, from which it fell in a most extraordinary manner, in July of the same year, to L.4, 11s., notwithstanding the Bank had increased its issues of paper by 7 millions more within that short period. This fact, however, has been very completely explained. The Bank had provided large quantities of bullion for the Government, but in consequence of the termination of hostilities on the Continent being more sudden than had been expected, the gold happened not to be needed, and therefore the Bank was sustaining its market price, by depreciating the currency as much as possible; but the exportation and accumulation of gold in April must have more than balanced its extraordinary issues of paper in July.

But the theory of Major Torrens has been sufficiently refuted by what has occurred since the repeal of the Restriction Act. Come what will now—extraordinary dearth, extraordinary importations of produce, extraordinary foreign loans and exportations of gold and silver—the market price does not rise above the Mint price of gold.

Some people say, gold cannot be depreciated at present, because it sells at the Mint price, L.3, 17s. 10½d. the ounce*. And what is the value of L.3, 17s. 10½d? Answer: An ounce of gold! The value of a commodity cannot be measured by the number of its constituent parts. We convey no idea of the price of cloth by saying, that a yard of serge is worth 36 inches of serge; and if we say that four yards of serge are worth $3\frac{17}{160}$ yards of serge and 1lb. of flour, we only state the value of $\frac{143}{160}$ of a yard of serge=1lb of flour. Therefore, to say that an ounce of gold is worth three sovereigns and 17s. 10½d., is only to communicate the value of the difference between three sovereigns and an ounce of gold, *i.e.* 4 dwt. 15 grs. of uncoined gold, and the value of which is 17s. 10½d. as determined by the Mint; and even the value of this part of the ounce is measured by a fixed quantity of other metals, which, if gold be depreciated, must partake of the depreciation.

But it is evident that a fixed price can be only another denomination of the article. If, by carrying an ounce of gold to the Mint, one can always receive back 3 sovereigns and 17s. 10½d., it is unlikely that any person will take less for this price than an ounce of gold, and bear the expense of its carriage to and from the Mint,

* It has since fallen in price. See note, p. 28.

though it is possible that some may be induced to give more; yet, if it be exported at this rate, and foreigners adapt the prices of their goods to the quantity of gold which they want in exchange for them, then, by whatever term we choose to designate our ounce of gold, assuming a fixed term for it, that does not prove that our gold is not depreciated.

When gold is really depreciated in our market, it is understood that the same quantity of other commodities is not to be had for it as before the depreciation; when it is relatively depreciated, that is in respect to the foreign market, the price of bullion should rise in relation to our specie, because it is in a state more convenient for exportation; and when gold is both really and relatively depreciated, neither the same quantity of spscie nor of other commodities can be obtained in exchange for it as before the depreciation.

Gold lately sold in our market at L.3 17s. 6d. the ounce, which, in relation to the Mint standard, seeme a fair price for bullion. At this price it becomes a profitable speculation to strike it into sovereigns. To this price it can be reduced by a diminution of the currency; but when it is thus reduced, it is only depreciated in relation to money, for it would be exchanged for a larger quantity of our produce than before; but having first to be converted into money, before it can be currently exchanged for our produce, it is less valuable than money in proportion to the difficulty or trouble of its conversion. Here, then, is the inducement to convert it into currency, either paper or coins; but that inducement is lessened when L.3. 17s. 9d. will be given for it uncoined, and it ceases altogether, when the currency, by its increase has been reduced to a par with the price of bullion, and L.3. 17s. 10½d. will be given for the ounce, which recent-

ly obtained only L.3 17s, 6d. At this period both bullion and coin are really depreciated, because the former is only enhanced in relation to the latter, but neither the one nor the other could be now exchanged for so large a quantity of home produce, as when gold bullion sold at L.3 17s. 6d. the ounce.

But there must have been a period when gold coin was really (for it is never nominally) depreciated, while gold bullion sold at L.3 17s. 6d. the ounce: as the influx of gold would not cease until the discontinuance of the home demand had been ascertained. Besides, it was the depreciation of our money that caused the bullion to rise. Some will say it was an extra demand for bullion; but then it was the depreciation of our money that occasioned that extra demand, and a depreciation of money never effects a rise in the prices of commodities by any other means. The increase of our circulating medium caused bullion to be demanded for exportation, and it was the home and foreign demand united which raised the price of bullion to L.3 17s. 10½d.

But then it may be asked, upon the relaxation of the home demand, after the rise, why did not the price of bullion return to L.3 17s. 6d.? This question is easily answered. The exchange of bullion with foreigners is not for money, but for goods; and as the extra demand for bullion raised its price, so, in the meanwhile, the extra demand for the goods with which the bullion is purchased has raised their exchangeable value; and the exporter of bullion receives no more goods for his gold now it sells at L.3. 17s. 10½d, than when it sold at L.3. 17s. 6d. the ounce; and he cannot afford to sell his gold for the latter price, when he can transmit it in pay-

ment for goods that, clear of all trouble and risk, will yield him the former.

In the first place, it must have become as eligible for our merchants to send bullion abroad in exchange for foreign goods, as to sell it at home for L.3. 17s. 6d.; but by this extra demand for bullion they raise its exchangeable value, first to L.3 17s. 9d., and afterwards to the Mint price, just as the markets for foreign produce rise in at least a corresponding degree;—is the real depreciation of our gold less after than before the rise? Do we obtain a larger quantity of foreign goods for a given quantity of gold than before? And this alteration in the nominal value of gold is not inconsistent with the continuance of its depreciation at home. Not only our money is less, but our capital and produce will be also diminished. Our capital and produce being diminished, the prices of the latter continue in the same relation to the bullion-market as before the rise of gold from L.3, 17s. 6d. to L.3, 17s. 10½d. per ounce. L.3, 17s. 10½d. will purchase no more foreign or domestic produce than L.3, 17s. 6d. did before. The real value of gold is therefore unaltered in this country; and it is because its value is unaltered relatively to the foreign market, that it continues to be exported as briskly as ever, so long as it can be obtained for L.3, 17s. 10½d. the ounce, and the foreign bullion-market is not reduced below the proper level by receiving it.—Why, then, should the prices of gold and of goods be raised at all? This would be a good question, if only two countries were parties to the trade; but though France may get no more British money for a given quantity of her merchandize by the rise of her prices, yet, by making that money the medium of a higher exchange at home, she may be

able to receive a larger quantity of produce in return for that which she exports to other countries. Besides, our merchants would be content to make an additional sacrifice, beyond the 4½d. per ounce, if they did not raise the price of their gold to the Mint standard, because the foreign produce would rise at any rate, in relation to money, owing to the extra sum with which it is demanded.

However, it is not necessary to take such an extreme case. The depreciation of our currency may continue, even while the prices of our manufactures decline in proportion to the rise of the bullion-market, (which, it will be admitted, is not a necessary consequence;) and it may continue so long as the reduction of our prices is insufficient to cause an extension of trade, but is merely the effect of its contraction; and so long as our merchants can find a better market for foreign produce, though it should have advanced with the price of bullion, than for home produce at prices insufficiently reduced. The foreign countries have more money than before, but it is inadequate to their trade; while, on the other hand, though we have parted with some of our money, we may not have full occasion for that which remains.

Whether this depreciation is caused by over issues of paper, or by the diminution of trade, or by both, the one sometimes occasioning the other, are questions which can only be decided by special circumstances; but whatever be the cause, the fault is in permitting the effect to continue. An entirely metallic currency is allowed to be the easiest managed of any; for when supplied on the true commercial principle, of satisfying every demand that is consistent with the cost of production, it will readily adapt itself to the va-

rying conditions of trade, without any calling in, except for the purpose of renovation, an amount that has once been issued. Hence the necessity of as nearly as possible assimilating to it in principle the paper currency, if a paper currency should be still persevered in. Of course, therefore, it ought to be convertible into gold at the will of the holders; and for the same reason, it ought not to be a compulsory tender in payment of debts, seeing that, at a distance from the place where it is payable, its conversion into gold must be obstructed by the cost of transmission. No peculiar sanction should be lent by Government to the issues of a private company; and if the Government itself should be permitted to issue paper money, and more especially if its paper should be compulsory on the nation, some means ought to be devised to prevent an excess, since the superabundance cannot be exported, and its contraction, from being liable to be carried to the opposite extreme, is more difficult, and infinitely more dangerous, than to guard against an imprudent and superfluous emission. But a paper currency of this description, even under the best control, can never be considered a perfectly safe experiment. There would be always the danger of its superabundance from a decline of trade, which may be too sudden for human vigilance to foresee, and for which a contraction of paper is the only remedy. There would, besides, in the best circumstances, be always some risk even in trusting our public authorities with such an instrument.

Upon due reflection, therefore, we cannot but think, that if the whole matter should ever become one of sincere economical or constitutional legislation, the idea of a national paper currency would be abandoned; and

though this result should be too successfully resisted, we are nevertheless disposed to hope, that when the subject shall be again brought under Parliamentary revision, some of the now prevailing influences over the currency will be restricted or destroyed, and the interests of commerce placed under the guidance of a monetary principle that will prove a comparatively safe and unfluctuant standard of value.

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## NOTE.

On revising this essay, I find that allusion is frequently made to the real and apparent exchanges indifferently, under a common term; but the context will show when the real exchange is signified, and the *Course* is usually referred to, when only the apparent exchange is understood. For instance, in p. 2, the real exchange is very obviously spoken of, as also in the note to p. 27, where a case was supposed,—that if the exchanges continued for any time at or above par, the price of gold, which had then fallen from the Mint price to L.3, 17s. 9d., would be further reduced to L.3, 17s. 6d. This supposition has since been realised, though, if the apparent course of exchange is all that should be attended to, without regard to the commercial par, below which gold is sent out of the country, some may assert that the exchanges have not been reduced to par during the period of observation included in the essay, and some months previous. It is certain, however, that during the first nine months of the past year, (1825,) the estimated par was the most nearly approached, and the real exchange had actualy fallen below it, as gold had advanced to L.3, 17s. 9d. and L.3, 17s. 10½d. ℔ oz., in consequence of its exportation. In October the exchanges experienced a small advance, and the price of gold fell to L.3, 17s. 6d. ℔ oz.—the demand for exportation having ceased, owing to a prudent contraction of the discounting system by the Bank of England; but, with its subsequent haste to relieve the commercial distress, which its necessary, and I believe involuntary, prudence had occasioned, trade was resumed as before, and upon the same foundation. The renewed demand of gold for exportation again raised its price gradually to L.3, 17s. 10½d., at which it continued from the beginning to the end of November, when the Bank met with another relapse into that prudence which renders it so obnoxious to the mercantile classes; and gold suddenly fell to what appears its natural price, L.3, 17s. 6d., at which it has continued up to the close of the year 1825.

Also, to prevent misapprehension, it may be as well to add, that by the expressions *cheap* or *dear gold*, I never mean its value in another description of money, but in the quantity of other commodities which will be given for it, except where the market price of gold is distinctly referred to.

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# AN ESSAY

ON THE

# RENT OF LAND.

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JAMES DUNCAN, 37, PATERNOSTER-ROW.

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# RENT OF LAND.

## PRELIMINARY CHAPTER.

Under the name of *Rent*, has generally been considered not merely, as Adam Smith proposes, "the price paid for the use of the land," but also the interest which a tenant pays for such advances in cultivation as have been made by its proprietor or by former tenants. These two considerations of rent very soon become practically undistinguishable and inseparable; and, in fact, it is "the use of the land," cultivated or uncultivated, as the case may be, which Dr Smith and the writers who succeed him, have regarded as the counterpart of the rent of land.

On the utility of rent as a branch of national wealth, opinion is very much divided. By one class of Economists it is considered as "the net result of all the labour and all the capital employed in agriculture;"* by another class, it is held to be the principal portion of that result; and by a third class, it is regarded as a mere transference of value from the one part of society to the other.

* M. Ganilh, *Des Systemes de l'Economie Politique.*

It would be departing from the arrangement which the author of this tract has prescribed for himself, if he were to stop here to examine the soundness of each of these conclusions. They are cited in this place for the purpose of showing, that however much writers have differed as to the nature and incidence of rent, they are all agreed in viewing it as a subject of great and primary importance. Whether, therefore, it should be properly regarded as a pure benefit or as a partial detriment to society,—opinions which will be hereafter considered,—it is equally desirable to ascertain both the circumstances which are favourable, and those which are unfavourable, to its accumulation.

Much information on this subject has been contributed by modern writers; yet though it should be allowed that enough has been done by them to assist us in forming settled and correct views of the principles of rent, still that information is to be collected from authors who are at variance one with another; who have each contributed something that is to be received with the consent of the others, along with more which is to be rejected altogether, or preferred to what is urged by the rest upon the points in question. If, therefore, one felt authorised to embrace all that is consentaneously delivered, there yet remains the task of selecting from what has been more discordantly offered. To construct, after this manner, a theory of rent that should obtain with the public, would be an undertaking sufficiently arduous, though it should not develop any new ideas of the subject. All, however, that is now promised, is a revival or continuation of the controversy, from which alone it can be hoped that such a theory may be ultimately derived.

It is now proposed to examine, first, the causes of

rent; secondly, the circumstances by which it is affected in its progress; and lastly, its effects.

It has occurred to the present essayist, that the cause of many existing differences (wherefore errors) of those celebrated writers who have treated so ably of rent, is traceable to their practice of resting too confidently on definitions, which do not comprehend the grand essentials of the subject. There are certain general properties which all subjects possess in common; and, to arrive at any safe conclusions, as well as to preserve a philosophic order in discussion, it is as necessary that those generalities should be kept steadily in view, as that the peculiar properties of the subject should not be overlooked. It is, however, remarkable, that our most famous writers upon this subject have but partially attended to either. Mr Malthus has mainly depended, for the existence of rent, upon two peculiarities in the produce and productiveness of the land; and Mr Ricardo has principally relied, for the same result, upon the general state of the land itself, namely, its inequality. Yet it is to these individuals, after Adam Smith, that the science is indebted for almost the only expositions of rent that are worthy of being consulted. Their theories have been controverted more or less successfully by some writers, but none have substituted better in their place. It is not indeed to be expected, that any new systems of rent will soon deserve to succeed them; but is it therefore to be concluded, that even their's may not be corrected and improved? It is not now said, let their stability be proved by their survival of attacks; but, at any rate, let us have *one* system, which we shall willingly owe to those writers. Let them remain no longer in opposition, now that the possibility of their further collision has unfortunately ceased. Let them each be corrected with

the other, and be blended by mutual correction. In submitting all that is herein contained to the judgment of the public, it is done with the consciousness that, should any part of it deserve to be reconsidered by the author of the *Inquiry into the Nature and Progress of Rent*, it is to the ultimate opinions of that writer that we shall all look for advice, in preference to any thing that is now, perhaps too confidently, stated. At all events it is believed, that the wish to provoke a more attentive consideration of the subject, whether it shall be gratified or not, will be the best apology to the public for presenting it with the following page

EDINBURGH, May, 1825.

## CHAPTER II.

ON THE CAUSES AND ORIGIN OF RENT—MORE ESPECIALLY OF THOSE CAUSES WHICH ARE INHERENT IN THE LAND ITSELF.

Rent is consequent on the right of property in land, as soon as that property becomes of sufficient importance to require some price or valuable consideration to be given for the use of it. Rent, then, is affected by all those circumstances which increase or diminish the value of property in land. It derives its origin from the same causes, is estimated by the same qualities in the subject, and is exposed to the same destinies.

The general essentials to be considered in the valuation of land, are its *quantity*, *quality*, and *condition*—distinctions equally belonging to all other vendible or describable substances. The last distinction is usually regarded as *accidental*; but it is also essential in nature, and therefore the present classification may not be improper.

Land acquires a value from its *condition*, namely, the convenience of its situation, and the progress which has been made in its cultivation and improvement. This is property *in condition*.

Land also derives a value from its comparative degree of fertility; and that value may be termed property *in quality*.

But the principal attribute of property in land is that of domain, whether held as allodium, as of fee, or by prescription, or whatsoever it be that confers on an

individual the right to have and to use a certain portion of land. This is what is commonly understood by property in land, since it also entitles the proprietor to the preceding distinctions of quality and condition, as they occur, and authorises him to employ all the virtues of the soil for his own advantage. It is here, however, to be generally distinguished as property *in quantity.*

All these sources of value in land become considerations of rent. In old countries they most frequently operate conjunctly; but in newly peopled territories they come gradually, and often singly, to be regarded as causes of rent. And first of all the property *in condition.*

Land has no sooner been brought into cultivation, than it is worth something more than uncultivated land of the same quality. This alone may be sufficient to entitle its proprietor to some rent or service for the use of it; and its rise will keep pace with the career of improvement.

But, independently of what can be done for the improvement of land, as well by the cultivation of the soil, as by increasing the advantages, or obviating the disadvantages of situation, there will still remain something to constitute a difference in the value of lands, and that is their *quality,* or the greater or less facility of culture and improvement which they present. This being another reason why some tracts of land are always more or less desired than others, it is also to be considered as a cause of rent. But, in general it may be supposed not to operate at so early a stage of society as the inequality which is occasioned by art. The one does not take effect until all the lands of one quality are appropriated; the other is immediately felt, because it is connected with the very existence of society.

It is more than probable, that the earliest occupiers of land in a country will not only have selected the best situations, but also have made the farthest advances in cultivation. These circumstances alone would entitle them to a value in exchange, or else a consideration for the use of their lands, even while there existed an abundance of uncultivated tracts of the same quality. They occasion a difference in the comparative value of different lands—a disparity which obviously takes place before the pre-existing difference in the quality of lands becomes any criterion of rent. It is afterwards increased by the necessity of having recourse to the inferior lands.

These considerations of rent, condition and quality, are founded solely on some reasons for preferring particular portions of land to others; they may therefore be denominated the comparative causes of rent. But, exclusively of peculiar advantages or disadvantages, land is always of high or low price in a country, in proportion as it is plentiful or scarce; and in this respect it may be regarded like all other descriptions of property, or like any other article in the market, its plenty or scarcity being considered in reference to the demand for it.

This connexion between the supply and the demand of land, has been said to be regulated by peculiar principles: the land being represented as prolific of demanders, or what amounts to the same thing, as yielding subsistence, and the means of augmentation, to those who are of necessity competitors for its possession.

It is true that property in land advances in importance with the increase of population, and of the general prosperity of the country; but *population merely*,

and over and above the number that is required for the perfect cultivation of the land, is no advantage whatever, it is more likely to become a burden to property in land; if, however, the people have trades, which are productive of commodities or wealth that will be received in exchange for the surplus produce of the land, then, and then only, is the extra number, which cannot be employed in cultivation, capable of augmenting the value of property in land. In this case, land would no doubt derive an increasing value from its progressive scarcity, in consequence of the accumulating demand for its produce—a value altogether extrinsic of any that arises from the comparative virtues of the land. Therefore, whatever alters the value, without changing the state of the land, must be said to affect not the land, but its proprietor, who merits this change in the value of his property by possession alone. From this cause, there can be no doubt, that under the circumstances premised, rent would make its appearance, even though there existed, as respects value, no diversity whatever in the situation, condition, or fertility of different soils.

This, then, is the positive advantage of property in land; and though connected both essentially and accidentally with the other distinctions of quality and condition, it is also to be considered independently of them. Let it be said that an individual possesses a benefit, the value of which is altogether undefined by comparison with other property of the same kind; it is not the less a benefit because it derives no advantage from such a comparison; it bears nevertheless a positive and inherent value. That value may be also the foundation of rent: for though no person should desire your property in preference to another's of a similar description, yet he

who has nothing of the kind may be glad to give you some other valuable in exchange for it, or to pay you back some portion of its produce for the use of it. Thus, however the value of particular lands may be affected in the comparison with that of other lands of different condition and quality, they must ever continue liable to the variations of plenty and scarcity, as indicated by their capability of satisfying the demand for raw produce.

These are the essential causes in the land itself which are favourable to rent; but that they prove efficacious, depends on the circumstances of the occupiers of the land and the consumers of its produce. There remain therefore to be considered those concomitant causes in the people, which, taken in connexion with such as have been traced in the land, are productive of rent.

## CHAPTER III.

### Of the causes in the People which, in connexion with those which have been considered in the Land, are productive of Rent.

The circumstances of the people which may be considered as the collateral causes of rent, are, first, that they should be so numerous as to render it necessary; and, secondly, that they should be so prosperous as to be able to pay it.

Mr Malthus has substituted for the latter qualification in the people, the capacity of the earth itself "to yield a greater portion of the necessaries of life than is

required for the maintenance of the persons employed on the land." This is termed by that author the main cause of rent; but here it has only been generally comprehended in the implied postulatum, that rent is paid out of the produce of the land; leaving scope, however, for some peculiar exceptions, hereafter noticed, in which it must be allowed to be taken from the capital of the tenant. The reasons for this arrangement are, because the existence of the surplus insisted on by Mr Malthus depends as much upon the faculties of the people as upon those of the earth; and because, where the former exist in perfection, a rent may in some instances be afforded for land, the productive energies of which are incapable of yielding any such surplus.

Generally speaking, however, Mr Malthus is right in supposing, that if the earth was only capable of producing enough "to maintain those whose labour and attention were necessary to its products," no monopoly of the land by particular owners would occasion rent. Monopoly will have exceeded its province, when it claims that which is not a source of profit, or when, by its accumulation, it has deprived the community of the means of still adding to its store. But, in describing the circumstances which are favourable to rent, the cause of its existence may very easily be overlooked. The essays of both Mr Malthus and Mr Ricardo are evidence of this.

Mr Malthus attributes the cause of rent mainly to the earth's quality of producing more than is required for the subsistence of those who are employed in cultivation. Mr Ricardo relies exclusively on the variety of the soils, and "the comparative scarcity of the most fertile land." These, as well as the progressive increase of population, seem favourable, and some of them neces-

sary, to the existence of rent; but what is the cause of its existence? for these circumstances alone, however favourable to, will not occasion rent.

Rent being the result of a contract, the cause of it must necessarily be twofold: first, That appropriation of the land, which renders some unable to enjoy its produce upon the same terms as the proprietors, or without paying rent; and secondly, The ability of those on whom it falls to pay the rent.

If the cause has been fully expressed, it now remains to examine more minutely the circumstances of its operation; and, this it is conceived, may be done, without extending the latitude, or enlarging the comprehensiveness, of the foregoing propositions.

It is necessary, then, (although there may be some few exceptions to this rule,) that the land should be of such a quality as that it will yield more produce than is required for the subsistence of its cultivators; which is generally implied in the ability to pay rent, and the power of exacting it. It is also necessary that all the lands of at least one quality and condition should be appropriated among only a part of the population; but, it is not necessary, however general may be the fact, that there should be more than one quality of appropriated or unappropriated land, for rent would be independent of this circumstance. Has this distinction been sufficiently regarded by Mr Ricardo?

Mr Malthus deduces from a long argument on this subject the following results, which, it will be seen, confirm the present writer in the respect in which he differs from Mr Ricardo; in the same manner as, it may be here observed, the opinions of Mr Ricardo coincide with some of the objections which will be made to the doctrines of Mr Malthus.

"It may be laid down, therefore," observes Mr Malthus, "as an incontrovertible truth, that as a nation reaches any considerable degree of wealth, and any considerable fullness of population, which of course cannot take place without a great fall both in the profits of stock and the wages of labour, the separation of rents as a kind of fixture upon *lands of a certain quality*, is a law as invariable as the action of the principle of gravity;" * * * * "and it has been found to commence its separation from profits, as soon as profits and wages fall, owing to the comparative scarcity of fertile land, in the natural progress of a country towards wealth and population."—(*Inquiry*, &c. p. 20.)

All, therefore, that Mr Malthus maintains, is, that rent takes place upon "lands of a certain quality,"—"that is to say, "fertile land," as soon as it shall be comparatively scarce. So far there is agreement with what has been stated; but in some other respects the opinions of that writer appear more questionable.

Mr Malthus admits, "that there are some circumstances connected with rent, which have an affinity to a natural monopoly:" as, for instance, "The extent of the world itself is limited, and cannot be enlarged by human demand. And the inequality of soils, occasions, even at an early period of society, a comparative scarcity of the best lands; and so far is undoubtedly one of the causes of rent, properly so called."—"But the scarcity of land, thus implied," he continues, "is by no means alone sufficient to produce the effects observed." He names two other causes, which have been already noticed: "First, and mainly, That quality of the earth by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land;" and, "se-

condly, That quality peculiar to the necessaries of life, of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced."

That these conclusions are the result of that author's attentive and profound reflection on the principles of population, one can easily believe ; that they are, as he assumes, the consequence of "a more accurate investigation of the subject," than was necessary to arrive at what he justly deems the partial and insufficient cause of the high price of corn, may also be allowed ; but that the conclusions themselves are accurate or perfect, may, it is conceived, be reasonably disputed. This, however, shall be done, without maintaining the competency of that which Mr Malthus has declared inadequate, but which Mr Ricardo has alleged to be fully sufficient, to account for the existence of rent, namely, "the comparative scarcity of the most fertile land."

Mr Malthus has no right to link, as concurrent, causes which are directly opposed. If the productiveness of the earth be the prospective cause of the high price of provisions, that high price, which is occasioned by the increase of demanders, is equally the prospective cause of its cheapness. If the former be the immediate cause of plenty and cheapness, the latter is in an equal degree the immediate cause of scarcity and dearth. So that, whether they be considered as remote or immediate in their operation, it cannot be denied that they stand in decided opposition to each other. The fertility of the earth is declared to be the cause of abundance, and it is inferred that it is the cause of dearth. To be sure, this would never be mistaken as an abstract truth; but, as a prospective proposition, it serves for the substratum of a truism. The cause

of rent, however, is confessedly not the general fertility of the earth; for, in a third and inferior proposition, Mr Malthus acknowledges "the comparative scarcity of the most fertile land," to be one cause of the high price of corn; but it is the quality of what the earth produces which is the cause of dearth; and that considered only prospectively, as raising up demanders; for in any other view it is the cause of cheapness, since it is the other quality of the earth's produce to appease the hunger, and satisfy the immediate wants of mankind. It is "the quality peculiar to the necessaries of life," when abundant and cheap, to raise up demanders, which occasions high price. It is, however, "the quality peculiar to" high price, to diminish the amount of the demand, and therefore to undo the theory which Mr Malthus has endeavoured to establish. At the same time, it is not to be disputed that the principles here laid down by that author are such as are always in action; but it is denied that any of them, or all of them together, are "sufficient" to account for "the effects observed." The productiveness of the earth, and (if such language may be permitted) the productiveness of the earth's produce, appear two very opposite things. They may be considered as an unnecessary multiplication of one and the same principle through its action and re-action; or they may be regarded as the antagonist principles of the system, their proper tendency being to recede to the state which preceded motion; but they will help us to no conclusion as to the cause of their action, unless some material impulse be borrowed from the vital principle of society. It is the never-ceasing desire of security and well-being that formed and sustains society, and must ever direct its pursuits. It is this that propels every improvement, and enables population to meet the hard conditions

to which humanity is exposed. The above propositions of Mr Malthus are incomplete, because they do not include the qualification in the people which is necessary "to account for the effects observed;" and the omission is the more remarkable, since no person is better aware, or has more distinctly acknowledged, than Mr Malthus, that, without some degree of prosperity attendant upon human exertion, no rise of corn can be maintained.

## CHAPTER IV.

THE OPINIONS OF MR MALTHUS AND MR RICARDO, ON RENT, MORE PARTICULARLY EXAMINED AND COMPARED, IN REFERENCE TO WHAT HAS BEEN STATED IN THE PRECEDING CHAPTERS.

Rent is neither the effect of the fertility nor of the sterility of the earth, although, between Mr Malthus and Mr Ricardo, it seems to have been considered as the necessary consequence of the one or of the other. Rent is notwithstanding proportioned to the fertility of the particular lands for which it is paid, and to the comparative scarcity of such lands.

"Mr Malthus would undoubtedly be right," says Mr Ricardo, "if, of any given farm, in proportion as the land yielded abundantly, a greater share of the whole produce were paid to the landlord; but the contrary is the fact: when no other but the most fertile land is in cultivation, the landlord has the smallest proportion of the whole produce, as well as the smallest value; and it is only when inferior lands are required to feed an

augmenting population, that the landlord's share of the whole produce, and the value he receives, progressively increase."

Strictly, in point of *fact*, Mr Ricardo is here at variance with experience. It is well understood, that formerly the landlord had a larger share of the whole produce, but a smaller value; but that since the more extensive cultivation of the inferior lands, the landlord has generally received a smaller proportion of the whole produce, though a larger value; formerly, they say, rents were computed at a third, but now they are only estimated at a fifth, of the produce of the land. It is no doubt true that the landlord has a larger proportion after, than before any recourse is had to the inferior lands; but when, as in this country, the people have become dependent, for the necessary supply of corn, principally on lands of the latter description, the proportion that goes to the landlord will be considerably diminished by the augmentation of that which is demanded for the maintenance of labour. This observation of course applies to the average rental, and it must be admitted that the statement to which it is opposed refers only to particular cases; but "of any given farm" it is unquestionably true, that "in proportion as the land yielded abundantly, a greater share of the whole produce" would be "paid to the landlord;" though, "of any given farm," the landlord's share would be certainly diminished in proportion as the productiveness of *other* land should increase.

Mr Ricardo seems to have adopted, in the present instance, a rule of Adam Smith's, which related only to a particular view of the subject. That writer undoubtedly says—"The real value of the landlord's share, his real command of the labour of other people, not only

rises with the *real value* of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its *real price*, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord." But Dr Smith here speaks of a rise of price, without an augmentation of labour; and seems to have used the expression "*real price*," to distinguish the rise spoken of from any apparent increase of value, which may be only a compensation for extra labour: for he says, "that produce, (= "the whole produce,") after the rise in its *real price*, requires no more labour to collect it than before;" and a smaller proportion being in that case necessary to replace it, he concludes that the remainder will go to the landlord. Yet Mr Ricardo addresses the same doctrine specially to the very case which requires the application of additional labour.

Speaking of "the extension of improvement and cultivation," Dr Smith's words are—"The landlord's *share* of the produce necessarily increases with the increase of that produce;" which is assuredly true; but the same cannot be said of "the landlord's *proportion* of the whole produce," in which sense Mr Ricardo employs the word *share*. If the landlord's share always gradually increased in proportion to the increase of the produce, cultivation could never be extended by means of additional labour.

Therefore, according to the test proposed by Mr Ricardo, "Mr Malthus would undoubtedly be right." But as it is seen that, in the landlord's share, the greatest value, and the greatest proportion of the produce, do not uniformly accompany each other, the history of

the latter is not alone sufficient to denote the progress of rent.

Mr Malthus is nevertheless correct in saying—"Diminish the fertility of the soil, and the excess will diminish; diminish it still further, and it will disappear."

It is here neither expressed nor implied, that rent is proportioned to the general fertility of the land, or even to the abundance of fertile lands; and if Mr Ricardo only intended to refute such a notion, he has rendered himself liable to be mistaken by imputing it to Mr Malthus, because that author had most distinctly acknowledged, as one cause of rent, "the comparative scarcity of the most fertile lands." If Mr Malthus be chargeable with maintaining, that rent is occasioned by the general fertility of the earth, Mr Ricardo is still less free from contending, that "the contrary is the fact." Now, were the earth universally fertile, such a state of the land would be extremely unfavourable to the progress of rent; were it uniformly the reverse, and incapable of yielding food for more than its cultivators, rent would be altogether unknown.

The surplus of produce is wealth. That produce will generally be of the kind for which there is a demand: if it consist of food, it is said to create, and it certainly should promote, a demand for itself. But it is not merely the urgent and necessary demand of subsistence that is productive of rent. Besides the articles of necessity and convenience, the raw material of which is derived from the land, the same disposition which these are intended to gratify has likewise set a value upon a swifter supply of the necessaries of life than is absolutely required for its support. The surplusage of food is wealth, because it obviates the necessity of perpetual labour. A man will pay a rent for land that

will yield treble the quantity of food that he requires, rather than for land from which he could only obtain a competent supply, because, after paying the rent, say one-third, he will still have a surplus profit large enough for the next year's subsistence, without the labour of providing it. Therefore, under some circumstances, rent would be paid even while lands of the first quality were capable of yielding more than is necessary for the support of the existing population, while consequently no rent would be paid for the inferior lands. The rent which is paid on account of the fertility of the best lands would of course be less, if the difference in quality between these and the inferior lands were less considerable; and nothing can be more certain than that rent would disappear, if the land for which it is paid were in no respect better than that which could be obtained for nothing.

Mr Ricardo contends that rent must rise with the diminished fertility of the land, "unless it is counteracted by a great reduction of capital, population, and demand." But that increasing demand for raw produce, which must have been the cause of the inferior lands being brought into cultivation, has no effect on the natural fertility of the earth; though, from the language employed by Mr Ricardo, one would almost infer that it had. If such were the effect of thus extending cultivation, possibly rent would not long be paid on account of the quality of land. It is because the richest lands retain their fertility, that a rent is paid for them, even while some less fertile lands may be had for little or no rent. If the land itself were to suffer deterioration, it would be less capable of rendering subsistence; and there would necessarily result the "reduction of capital, population, and demand," in proportion to the

earth's diminished liberality in yielding to the utmost exertion of industry, and the farthest improvement of art. But there would be a more immediate consequence. Additional labour would be required to raise the customary supply from the impoverished lands, and a smaller surplus would be left for the landlord. In other words, a portion of the landlord's income would go to employ persons in producing food for themselves, instead of providing articles of convenience or luxury for him.

Mr Ricardo seems to have entertained no predilection for natural causes; for, after admitting one, the variety of soils and scarcity of the best soils, into his theory of rent, he ascribes to the active agency of man every effect for which the inequality of the land is not sufficient to account. He even disputes with Mr Malthus the position, that an abundance of provisions begets a demand for them. It was his opinion, that it is high wages which occasion the additional demand. But is not the cheapness of provisions as powerful an incentive to the increase of population, as a rise of wages? A rise of wages will tend to raise the price of provisions, and thus to check any increase of the permanent demand; but a plentiful supply of provisions does not reduce wages, until an extra demand for both wages and provisions shall have been rendered permanent by an addition to the population, the natural effect of abundance.

It is only the immediate, and possibly temporary augmentation of the demand for provisions, resulting from an increased value of labour and skill, that is taken account of by Mr Ricardo. Nothing is ascribed to the bounty of nature, and the possibility of a superabundance is all but denied. "What motive," he asks, "can a

farmer have to produce more corn than is actually demanded?"—as though it were possible to ascertain precisely the extent of the demand, or how many are competing for its gratification. Even the state of the markets affords but a very imperfect criterion to the farmer. It is not the result of a single year, nor of several years, that is the omen of the succeeding one. All that is certain to the farmer is, that he is employed in the production of the articles of necessity, and his only hope is in the force of his industry and the fertility of his farm. A superabundance is never the effect of design. It may be occasioned by the bounty of a season, or by too many farmers proposing to answer the same demand. The question in either case is not why the corn was produced, but what is to become of it. It, of course, depresses the market for a period, and thus gives an impetus to population; so that it is the effect of occasional superabundance in an improving country, to strengthen the permanent demand for agricultural produce.

"If," says Mr Malthus, "the necessaries of life, the most important products of land, had not the property of creating an increased demand proportioned to their increased quantity, each increased quantity would occasion a fall in their exchangeable value. However abundant might be the produce of the country, its population might remain stationary; and this abundance, without a proportionate demand, and with a very high corn price of labour, which would naturally take place under these circumstances, might reduce the price of raw produce, like the price of manufactures, to the cost of production."

Mr Ricardo has neglected to reply to this argument, confessing that he did not comprehend it. He takes up the expression, "cost of production," as an ambiguity,

and professes that he cannot determine whether it be inclusive or exclusive of rent, although he himself has rarely, if ever, employed it in any other than the latter confined signification. He dismisses the whole passage by saying, that price is seldom for any length of time above or below the cost of production, whether rent be included or not; of which he acknowledges that Mr Malthus was fully aware. It is easy, however, to perceive, that in the instance before us, Mr Malthus attaches to "the cost of production," a meaning distinct from and exclusive of rent, and that he is alluding to hypothetical circumstances which would render it impossible for rent to be obtained.

It may again be remarked, that Mr Ricardo confounds the distinction between an abundance produced by the extraordinary fertility of the land, and that which might be created by an additional application of labour and capital. The effect of the former is not always to depress the market price below the natural price, but to yield a greater quantity of produce, than had previously been afforded, for a given quantity of money, and to promote the permanent demand by the consequent increase of population. There is not, in this case, even a temporary privation of profits, but there results from it a gradual and permanent increase of them. Where, however, there is a superabundant supply, and at the same time a diminution in the means of the consumer, and where the increase of the former is proportionate to the decrease of the latter, there will be a reduction of price, but no diminution of consumption, and consequently it will produce no effect whatever on the progress of the permanent demand. A rise of wages, or an enlargement of the consumer's means, if it be not accompanied by an increased supply, will be at best only a temporary be-

nefit to the farmer, as it cannot increase the permanent demand, which therefore is discouraged by the deficiency of supply.

Therefore, the best period for the farmer is undoubtedly that in which the supply and ability to consume are simultaneously increased, because in that case he derives an immediate increase of profit, without any check to the advance of the permanent demand; and if the increase of the supply be still greater than the increase of the consumer's means, the effect will be still more accumulative on the permanent than on the temporary demand. The difference will be found very material: in the one case agricultural profits are increased without, and in the other case with, a reduction of prices; but it is chiefly in the latter case that there is any addition to the momentum of the permanent demand.

It follows, that the worst period for the farmer is that in which the consumer's means are considerably curtailed. In this case prices must decline; and a natural abundance would be the most certain relief both for producer and consumer. Such an immediate relief as nature can supply would of itself greatly contribute to a revival or extension of commerce; but, without it, a country would scarcely be able to seize on an opportunity of commercial improvement, if one should occur. It hardly need be added, that where agricultural distress results from an impoverishment of the manufacturing and mercantile classes, the remedy must be looked for in some event which shall improve the condition of those classes.

The distinction between the doctrines of Mr Malthus and of Mr Ricardo cannot fail to be observed. Mr Malthus, when he defined the excess of the selling price

above the natural price to be the immediate cause of rent, was fully aware of the inadequacy of that definition to account for the excess. Mr Ricardo also was impressed with the same conviction, because he, rather rashly, defines that excess to be rent itself. But how widely apart have these writers gone in their search after the radical causes of rent! It has been seen that Mr Malthus, though his propositions are not a little confused, is by far the most masterly and successful in treating of the natural causes of rent. On the other hand, it must be universally admitted, that while these causes have been only partially considered by Mr Ricardo, he has been the most diligent, and has probably excelled all other writers, in investigating the circumstances and laws of society which have either a necessary or possible influence on the progress of rent. It will perhaps have been further remarked, that while their systems are in some degree imperfect even in those departments in which they respectively excel, they are each the most defective in rejecting the considerations which have been indulged by the other.

It seems to be ascertained in the preceding inquiry, that the theory of Mr Malthus is only applicable to a particular condition of society, viz. while it is in a thriving or improving state; and that Mr Ricardo has founded his arguments on partial views of the subject, and endeavoured to apply them generally to all situations of society.

But the opportunity is now presented of considering more closely the opinions of the latter writer, in speaking of *definitions*, in which it must be acknowledged that he has dealt more freely than any other author who has written upon this subject.

## CHAPTER V.

### On Definitions of Rent.

The excess of the market above the natural price, cannot be considered a practical definition of rent; and it is besides more accurately treated by Mr Malthus as "the immediate cause of rent." With every rise of the market, unaccompanied by a proportionate rise in the cost of production, some part of that excess is sure to be added to the stock of the farmer, who is thus enabled to compete for more land, which then seems to be required, or to employ a larger capital in the cultivation and improvement of that which he occupies already; and a rise of rent will be the legitimate consequence of whichever course he pursues. With every fall of the market, without an equivalent decrease in the cost of production, some portion of that fund which constituted the profits of the farmer will be added to the difference between the natural and the selling price, in order to make up his rent. There are times, indeed, when rent is composed altogether of this additional expenditure, the difference between the selling price and the natural price being not always an excess, but sometimes a deficiency, and in some instances there is no difference at all. The tendency of a decline in the market price, as compared with the natural price, is, therefore, to reduce rents, by diminishing the funds which are destined to compete for land. The existence of an excess of the market price above the natural price, and the increase or diminution of that excess, are, then,

the immediate causes of any rent continuing to be paid, and of the rise or fall of rent.

It would render the surplus produce of the land a more correct definition of rent, if profits, and not merely the usual rate of profit, could be included in the natural price; but this, Mr Ricardo acknowledged, was not the case. If, then, the natural price be composed only of the cost of production and the ordinary rate of profit, it is not uniformly correct to say, that the surplus of the selling price is paid to the landlord; and it is certain that the actual profits cannot be included in the natural price, because they are often higher, and sometimes lower, than would have satisfied the producer before he consulted the state of the market. As a *definition* of rent, therefore, it is false and impracticable. Indeed, it would serve better as a definition of profit than of rent, because the latter, being a less variable quantity, and being also determined before the selling price is known, could easily be included in the costs of production, of which it naturally forms a part. The excess of the selling price above the cost of production is, however, "the immediate *cause* of rent," as may be inferred from the foregoing and following considerations.

When this surplus has increased, the first fruits of the increase are sure to go into the pocket of the farmer; and how soon this additional profit shall be diverted into the channel of rent, is entirely dependent on circumstances. Upon this head, the observations of Mr Malthus ought never to be lost sight of.

Among the errors to which landlords are liable, the above author notices "that of mistaking a mere temporary rise of prices, for a rise of sufficient duration to warrant an increase of rents. It frequently happens (he

says) that a scarcity of one or two years, or an unusual demand arising from any other cause, may raise the price of raw produce to a height at which it cannot be maintained. And the farmers who take land under the influence of such prices, will, in the return of a more natural state of things, probably break, and leave their farms in a ruined and exhausted state. These short periods of high price are of great importance in generating capital upon the land, if the farmers are allowed to have the advantage of them; but if they are grasped at prematurely by the landlord, capital is destroyed, instead of being accumulated; and both the landlord and the country incur a loss, instead of gaining a benefit.

"A similar caution is necessary in raising rents, even when the rise of prices seems as if it would be permanent. In the progress of prices and rents, rent ought always to be a little behind; not only to afford the means of ascertaining whether the rise be temporary or permanent, but, even in the latter case, to give a little time for the accumulation of capital on the land, of which the landlord is sure to feel the full benefit in the end." (*Inquiry, &c.* p. 55.)

While the preceding observations are entitled to the most attentive consideration of the landed interest, it is enough for the present purpose to remark, that they fully bear out the opinion, that the whole of the surplus produce does not go to the proprietor of the land. That portion of the surplus, therefore, which cannot be taken at all by the landlord, and that which, from prudential motives, he does not demand, form no part of rent, notwithstanding they act undoubtedly as a cause of rent.

"Rent," again, says Mr Ricardo, "is always the dif-

ference between the produce obtained by the employment of two equal quantities of capital and labour." (*Principles*, &c. p. 53.)

According to this authority, then, rent is never any thing else but "the difference" here described. That difference can only arise from the "two equal quantities of capital and labour" being employed upon different lands, or upon the same land under different circumstances. Of different qualities of land, an individual who is in want of land would prefer the best, and the extra sum which he would annually pay for this preference is rent. Or, if two equal portions of capital be employed on the same land, under different circumstances, so as to be unequally productive, the difference between the respective amounts of their produce is rent. But while the land continued of the same quality, and to be cultivated under the same circumstances, no rent would be obtained for it. "Rent is always the difference"—it is never any thing else but the difference—"between the produce obtained by the employment of two equal quantities of capital and labour."

This definition, however, does not exactly correspond with the account of rent which is, in one place, given by Mr Ricardo himself.

"It is only," he observes, "because land is not unlimited in quantity, and uniform in quality, and because, in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it."

The cause of rent is here stated with more precision; but what avails it, if the same degree of accuracy be not preserved throughout the argument, and if the in-

quiry, however elaborate, be to terminate in such a conclusion as that which is previously quoted?

In the following inference which M. Ganilh has drawn from the same passage, no greater error is observable than the one which Mr Ricardo himself has committed:—

"M. Ricardo fait donc résulter la rente de la terre de la stérilité comparative des terres, tellement que si elles etoient toutes egalement fertiles ou egalement stériles, on ne connoîtroit pas même le nom de la rente."—(*Des Systemes*, liv. iv. p. 10.)

Here it is overlooked, probably from its having been lost sight of by Mr Ricardo himself in the course of his argument, that one of the causes which he had discovered for rent, was, "because land is not unlimited in *quantity*." Upon the whole, therefore, it appears, that little or no injustice has been done by the brevity of M. Ganilh: for it is certain that all of Mr Ricardo's conclusions, on this head, are founded upon the existence of diverse qualities of land, and upon the supposition that this diversity is necessary to rent.

"When, in the progress of society," continues Mr Ricardo, "land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, *and the amount of that rent will depend on the difference in the quality of these two portions of land*." And so afterwards for lands of the second and third rate.

Mr Ricardo assumes that no rent is ever paid for the land which is last brought into cultivation; and therefore he infers, that rent is always the difference between the produce raised by equal portions of capital and labour on the best and worst lands in cultivation. According to this opinion, the last cultivated land may

always be enjoyed free of rent, until cultivation be commenced upon an inferior stratum. There is, however, no practical farmer who cannot refute this position. It is so far from the fact, that of late years the occupation of land, rent free, even during the first advances on its cultivation, may be set down as an extremely rare occurrence. Such advances are, perhaps, often made under a lease that is calculated of sufficient duration to remunerate the farmer for his original outlay; and a rent is paid for the whole of the period, without any abatement for the most expensive years. It has, notwithstanding, frequently happened, that a profit has been realised on the first year's produce of the new lands.

After much inquiry, it has been discovered, that there are some lands, in the Highlands of Scotland, which continue to be cultivated, although they yield no rent. It is not pretended that these are the last portions which have been brought into cultivation; on the contrary, it is well known that, for a long succession of years, new lands of infinitely better quality have continued to be broken up; and the natural inference is, it being possible for some individuals to cultivate, rent free, the worst lands that have yet been discovered, no one can doubt the facility with which others pay rent for the newer lands of superior quality. There may be a few tracts of barren country, to which the cultivators adhere by a native attachment, and from which they may be willing to derive a scanty, but independent subsistence; but can the existence of such refuse land help to determine the rate of rents, or the general value of land? The defect of Mr Ricardo's theory is, that it is founded on no positive ideas of the subject; and his exclusively comparative reasoning

must be rejected, before we can arrive at any practical or substantial knowledge of the principles of rent. It is not from isolated instances, or the peculiar motives which give rise to them, that any general doctrines can be derived. Some men will take up their residence on a sterile and rocky mountain, and pay no rent for the ground which they occupy, because the manner of their livelihood is predatory, secret, or contraband; others will pay a very high rent for equally sterile plots of ground, on which they may be able to conduct an open and profitable business; while some few may be fastened to the most barren situations, by a romantic or natural attachment. These may be contrasted as extraordinary cases, but they will not even serve as extreme points of comparison, when treating generally of rent. They are little concerned with the usual pursuits of agriculture, and can have no perceptible influence on the general value of land.

In a commercial country, where the land is appropriated, there can be none worth cultivating that will not afford some rent, after it has been brought into cultivation. Whether it be paid in all cases, depends not upon the accuracy of this principle, but upon the disposition of the proprietor, and the condition of the occupier of the land.

Adam Smith, after noticing the kelp and fish shores of Scotland, as subjects of rent which required no advances or expenditure from the original proprietors, says—"The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take, but to what the farmer can afford to give." (Book i. p. 231.)

The same author remarks—"Those productions, indeed, which require either a greater original expense of improvement, or a greater annual expense of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expense." (Book i. p. 244.)

Upon which one of the annotators on the *Wealth of Nations* observes—"It is impossible to suppose any case where corn land does not afford rent, because if it were nothing more than the previous cultivation necessary, the advantages resulting from that must be paid for. It is not so with grass land. In America, consequently, we find cattle grazing on lands which do not belong to their owner, without his paying rent, and this from year to year; but arable land always either is cultivated by the owner, or produces rent." (Playfair's note *in loco*, book i. p. 260.)

There are two considerations suggested by the observations of Adam Smith. The one is, that the natural and necessary monopoly of land by particular owners is one efficient cause of rent in a populous and prosperous country; the other is, that the advances which have been made in the condition of land, are also, under the same circumstances, of the country, a cause of rent. The latter proposition has been too unguardedly stated in the commentary, to be entirely free from objection, because undoubtedly corn land may be pointed out that does not afford any rent. But this may be safely assumed, that lands which will not yield any rent, are not worth bringing into cultivation, with a view to profit. If the produce of such lands did not

pay the original expense of bringing them into cultivation, it may still answer to cultivate them, free of rent, after the original expense has been sunk. But if the produce, during a term of years, was found adequate to remunerate the original cultivator, his successor, or he himself, at the expiry of his lease, will be able to pay a rent for the land, supposing the state of agriculture to continue the same, or to improve.

Here, however, are two considerations of rent, which are altogether independent of the difference between the produce of the best and worst soils which have been cultivated—Mr Ricardo's definition of rent.

That what has been termed the natural and necessary monopoly, is an efficient cause of rent, will appear from considering, that if all the land in Great Britain were of the first quality, or only of the average quality of the whole, so that no variety in this respect should exist; and also, if it were possible for all portions of it to be equally advantageously situated, and for equal advances to have been made in their cultivation; a rent would still be paid by some for the use of the land, unless it could be equally apportioned among those who subsisted on its produce, and unless the equality of such an Agrarian division could be always preserved. Even then it is probable that a diversity of tastes, as well as the desires and necessities of society, would give birth to a variety of employments besides agriculture; and that those who could not find time to till the ground, would be glad to leave it in charge to the neighbouring proprietors, who would supply them with food, in exchange for their articles of convenience, and, in proportion to the increasing demand of produce, pay them some compensation for the use of their lands. In these circumstances, as

provisions became scarce, though the land could be equally divided, there would still be an unequal distribution of its produce. Some would be able to purchase more of it than others; and the equality could not be restored by all classes betaking themselves to agricultural employment, as numbers would be ignorant of the business of agriculture. Rent in this case would occur, though principally as a fiction, for it would return into the pockets of those who paid it, with, however, this peculiarity, that those who paid the least rent, because they were able to consume the least produce, would draw as much as those who paid the most rent, and were able to consume the most produce; and the real amount of rent would be just so much as did not return to the individuals who paid it. Rent, therefore, both real and fictitious, is held to be a probable occurrence under an equal division of the land, because even then would probably arise the causes of an unequal distribution of its produce. But it is the appropriation of the land among only a part of the population, that necessarily occasions rent, and in a higher degree, as well as at an earlier period, than it could take place under any other conceivable circumstances.

In concluding this branch of the subject, it might be well to observe, that Mr Ricardo has applied his comparative measure of rent, with much ingenuity, to the accumulation of agricultural capital, and its consequent application either to new lands, or to effecting improvements on the old. He says—"If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each the same results, and any improvement in the formation of such capital should enable me to withdraw five from each, so that they should be 45, 55, 65, 75, no alteration would take place in the corn-rent; but

if the improvement were such as to enable me to make the whole saving on that portion of capital which is least productively employed, corn-rent would immediately fall, because the difference between the capital most productive, and the capital least productive would be diminished; and it is this difference which constitutes rent." (*Principles*, p. 73.)

The difference here described by Mr Ricardo is, no doubt, a part of the fund of which rent is composed; but it does not constitute the whole of rent. It does not include that which might have been paid on the employment of the *first* portion of capital, before any of the succeeding portions came to be laid out on the land. The reason given for this is, that no rent is ever paid on account of the *last* portion of capital employed on the land, which appears to be a mistake.

The above may be considered as a scale not of rent, but of its rise and fall, according to the variations in the rate of profit or of prices. If an individual can afford to employ L.80 additional in a manner that will be not more productive than his capital of L.70 had hitherto been, he will not long continue to derive two different rates of profit from those unequal sums, but his rent will be raised in proportion to the difference. If his capital should be diminished, and he should only be able to employ L.75 and L.65 in the manner above described, this would be a sign that no part of the agricultural capital had been withdrawn from the land, but only that some part of it had changed hands; and there would consequently be no reduction of rents. If, owing to an alteration in the value of money,* or to improved facilities of cultiva-

* Mr Ricardo has intended to exclude the consideration of this case, by the use of the term, "corn-rent;" but he should at the same time have stipulated for corn wages.

tion, he found the 75 and 65 applicable to all the purposes to which the 80 and 70 had recently been applied, this would only show, that the money capital of the country had been reduced, or some portion of it rendered superfluous, and applicable to new purposes, and that, in the one case, a nominal saving had already been effected in rent and wages, or, in the other case, that a real saving had been effected in labour and machinery. But now, if the circumstances of the country should enable the farmer to employ his capital as productively in trade as it had proved in agriculture before the rise of his rent, it is a sign that, to prevent the withdrawal of capital from the land, rents must be reduced in some proportion to the difference between the 80 and 70. The circumstances necessary to occasion the last result should of course include some cause, by which, without incurring a higher cost of production, the supply of raw produce can be rendered more available to the demand.

Rent, however, is not the difference between the produce of two qualities of land; neither is it the difference between the productiveness of two equal capitals, employed at different periods, on the same quality of land; but rent is nevertheless partly composed of the one or the other of those differences; bearing in mind, that they generally constitute profit for some time previous to their becoming rent.

But is not a rent paid in consideration of the scarcity of the best soil, and of the original advances in cultivation, prior to and independently of that which is paid on account of the necessity of resorting to the inferior soils?—When the difference of quality between the worst land in cultivation and the best uncultivated land is very considerably to the

advantage of the former, a rent will be paid for land of that quality some time before it shall be necessary to bring an inferior soil under cultivation. This rent will be paid solely on account of the scarcity of the better soils, and will advance in proportion as it is rendered scarcer by the increase of population, until it shall have attained to that rate at which it becomes preferable to cultivate new land, rather than submit to any farther advance of rent for the old. Until that alternative becomes necessary, rent will be more than the difference between the produce of the best and worst lands in cultivation. In the same manner, after a new stratum has been brought into cultivation, a rent will almost immediately be paid for it, though it may be some considerable time before it shall be advanced so high as to render it eligible to undertake the risk and expense of cultivating land of the next degree of contiguity and quality, if it should be reputed greatly inferior in point of fertility, situation, natural condition, and susceptibility of cultivation. Another long period must here elapse, during which the rent paid for the last cultivated land, or at least for the worst land cultivated, is exclusive of the difference between the produce of that and of the best land in cultivation; and the amount of rent paid for the inferior soil must be added to that difference, in order to determine the rent which is paid for the superior land. The length of the interval, from the commencement of rent on the worst land in cultivation, to the bringing of more land into cultivation, is no doubt always proportional to the rate at which the demand for produce increases, and to the probable difficulties opposed to the cultivation of new land; but enough has been said to show, that the difference between the produce of the best and worst lands

in cultivation, is not an universal and comprehensive definition of rent.

In short, the arbitrary definitions of Mr Ricardo must be altogether rejected; and if it should be necessary to take up one from any of the authorities that have been quoted, we must needs go back to Adam Smith, and say with him, that rent is "the price paid for the use of the land." In the present state of political science, it is perhaps not to be regretted that none more satisfactory has hitherto been supplied. People are apt to run away with definitions, imagining them to comprehend the elementary principles of a doctrine, as well as the conclusions to which they lead. They seem only calculated to relieve from the necessity of thinking those who are not inclined to reflection, and to invert the order of reasoning in those who are. They beget a species of sciolism which is attended with great and manifest inconveniences. Those who adopt the conclusions of others necessarily incur the burden of maintaining and defending them; but, if unfamiliar with the argumentation which produced them, the only course that remains is to infer the principles and causes from results which are not always very accurately stated. The most skilful reasoners are thus exposed to the danger of inventing principles and causes which are not in nature or in practice. It is to be regretted that even Mr Ricardo, whose definitions must have cost him much consideration and reflection, should yet have devoted but a very slender portion of reasoning to establish them, compared with that which, in his written argument, he has founded upon them.

In the present inquiry it has been deemed the surest way of keeping terms with the reader, to place no reliance on definitions, but to claim the principal

share of his attention to the nature of the subject, the disposition of society, and their reciprocal effects on each other. We have seen that the causes of rent are partly in the land itself, and partly in the society which subsists upon its produce; that, the natural laws of production being considered, the progress of society, and the monopoly of the land by particular owners, are the invariable causes of rent; and (if a definition must, in fine, be attempted,) that rent is the estimated yearly value of the monopoly and state of the land, and is apportioned to the individual proprietors according to the extent, quality and condition of their respective possessions.

## CHAPTER VI.

THE CIRCUMSTANCES BY WHICH RENT IS AFFECTED IN ITS PROGRESS.—MONOPOLIES, NATURAL AND ARTIFICIAL.

In the next place come to be considered the circumstances by which rent is affected in its progress.

In this division of the subject, no disposition is felt to enter upon a minute examination of all those curious questions, respecting the effects of particular taxes, on which the discussion might easily be extended. Indeed, the influence of taxation may be very generally disposed of, as one that operates, mediately or immediately, upon all interests of the community; and it may be considered as more especially detrimental to that particular class, for which, amid the dangers and difficulties of society, the wreck of national wealth seems

always to be reserved. The proprietary and aristocracy of the country, who, for the most part, do not buy for the purpose of selling again, nor consume that others may consume, are the real tax-payers on all the commodities which they purchase, as well as of the sums which they directly contribute to the exchequer; and it would be easy to show, that they are the poorer for all the taxes that are paid. It is not meant to assert that the public burdens are really supported by the proprietors of the soil; or that the state is beholden to them as a proprietary, for all the exertions by which its burdens are sustained; but that the whole revenue of the state, inasmuch as it weakens the stock of the permanent demand, may be regarded as a subtraction from their resources, except any part of it that is returned to them in some other form.

Rent is also affected by changes in the currency; but the influence of this cause, in its direct application to all subsisting obligations, is now pretty generally understood.

Important as the above causes undoubtedly are, in deranging that distribution of produce which it is now desirable to trace, still, if sufficient care be taken to guard against being deceived by their effects, there may appear no occasion for taking up incidentally here, what must long continue the frequent and abundant matter of separate and severe investigation. It is hoped that, with proper allowance for the possible intervention of such causes, the proposed extension of the present inquiry will promote a more clear discrimination of the period when rent becomes injurious to those who pay it, and even prejudicial to the permanent interest of those who receive it; and thus help to determine the question, how far rent is a ne-

cessary or an unnecessary burden on the community; or when it may be considered a benefit, and when an evil, under the ordinary circumstances of society.

Adam Smith observes, "The whole annual produce of the land and labour of every country, or, what comes to the same thing, the whole price of that annual produce, naturally divides itself into three parts;—the rent of land, the wages of labour, and the profits of stock;—to those who live by rent, to those who live by wages, and to those who live by profit."

Certain absolute rules have been laid down by Mr Ricardo, to denote which of these interests is most affected by the changes of condition experienced by the others. These rules do not seem entitled to particular attention here. It will be found, upon a general inquiry, that whatever diversity of immediate interests may occur in the division of wealth, it is for the ultimate benefit of all, that each of the above classes should receive its proper share. The natural alliance, however, between the permanent interests of those who live by profit, and of those who live by wages, is particularly strong; as will appear from the consideration, that the rate of profits was originally the highest when wages were the highest, and rent comparatively trifling; and that the rate of wages has gradually declined with the fall of profits.

Mr Ricardo has clearly shown the tendency of profits to fall, in proportion to the increasing difficulty of obtaining produce; and the cause of the difficulty, namely, the progressive increase of population, imparts a similar tendency to wages, in proportion as it enlarges the competition for subsistence. It was long ago stated by a writer,* whose authority would be more scrupulously quoted on many other

* Dr Price.

points, that "the nominal price of day-labour" was then "no more than about four times, or at most five times higher than it was in the year 1514; but the price of corn" was "seven times, and of flesh meat and raiment about fifteen times higher: therefore the price of labour had been so far from advancing in proportion to the increase in the expenses of living, that it did not appear to bear then half the proportion to these expenses that it did formerly." Whether this be precisely correct or no, it is at least consistent with good and admitted theory, as the reasoning of the same writer will show:—"As in former times the number of the occupiers of the land was greater, and all had more opportunities of working for themselves, it is reasonable to conclude, that the number of people willing to work for others must have been smaller, and the price of day-labour higher."

A great deal has been said of the accumulation of capital, and the consequent demand for labour. It will generally be found, that population keeps pace with the accumulation of capital; that as the rate of profit declines, wages must in some degree partake of the depression; and that an excess of labourers is usually nothing else than the inability to find secure and profitable employment for a portion of dormant capital.

Labour may be considered as a necessary tax on production, that primarily affects the producer. It is the interest of the latter that comes immediately into collision with the interest of "those who live by rent;" and, for the purpose of the present inquiry, the attention must be generally confined to the interests, relatively considered, of these two classes.

"The natural tendency of profits," says Mr Ricardo, "is to fall; for, in the progress of society and

wealth, the additional quantity of food required is obtained by the sacrifice of more and more labour." In the same manner, the natural tendency of rent is to rise. But then, it may be said, that the same rise of prices which defrays the increase of rents, will also remunerate the extra labour, because the extra labour and extra rent are alternatives, and not usually incurred at once on the same land; and therefore the "gravitation of profits," as it is termed by Messrs Malthus and Ricardo, has since been more correctly ascribed, not so much to the extra-labour employed in production, as to the necessity of consuming in reproduction the raw produce which has been so obtained. The landlord, however, is under no such necessity: his land remains where it was: all the improvements effected, and all the expenses incurred on it, proceed from the capital of his tenant, while the portion of its produce which is paid to the landlord gradually increases. It is easy, therefore, to perceive, that even though the rise of rent were only to be considered as proportioned to the altered prices of the commodities upon which it is to be expended, yet the situation of the landlord must improve in comparison with that of the producer.

Adam Smith asserts, that the rate of profit "is naturally low in rich, and high in poor countries." That it is comparatively so, there can be no doubt; but this author fell into a great mistake when he added—"and it is always the highest in those countries which are going fastest to ruin." It is well known, that a high rate of profits most commonly marks the early progress of an infant state; but an old and powerful country has had to deplore the possibility of profits being reduced to so low a rate, that all the commerce which it could

command was insufficient to compensate for the depression.

It may very well be questioned, whether the accumulation of capital would ever be a sufficient cause of itself for the reduction of profits. The demand for all commodities is constantly increasing with the increase of population; and incalculable facilities of production, in whatever does not depend on the fertility of the earth, are continually resulting from the discoveries of science and art. The only question, therefore, is, to what extremity need a people ever be exposed, by the increasing difficulty of obtaining raw produce?

"The extent of the world itself is limited," as Mr Malthus laconically remarks. But there are always certain territorial limits within which a nation has been for the most part circumscribed, in the first place, by "the natural and necessary monopoly" enjoyed by the proprietors of the land; and, in the second place, by the real or imaginary necessity which legislators have perceived, for extending the privilege of this class beyond its natural bounds. The consequence has been, that the capitalist has been compelled, so long as he was able, to pay double the price for raw produce that it otherwise might have been procured for; profits have proportionally fallen, and rents have continued to rise, till the consequent poverty of the consumer and producer reacted upon the circumstances of the landlord.

The case may be thus briefly stated:—An extra demand for provisions occasions a rise of their market price. The high price induces the farmer to undertake the cultivation of the inferior lands, for the purpose of producing the necessary supply; and the landlord avails himself of this circumstance to obtain a higher rent for the superior soils. But in the mean-

while the merchant has also been preparing an additional supply, and imports a sufficient quantity of foreign grain to meet the increased demand. The consequence is, that prices receive a temporary check; and the farmer, who could have sold at the prices anterior to the rise, if his rent had not also been raised, is instructed to apply for legislative protection. In this case the rise of rent can only be sustained by granting a monopoly to the home-grower: the poor lands then continue to be cultivated, and the high prices become permanent.

Thus we see, that the natural monopoly of home produce is limited by the import price; so that, if foreign grain were not to be excluded by law, the price of corn in our market would never rise permanently higher than the cost of imported corn. All this is clear to every one's comprehension; and to monopoly prices, for the purpose of creating a monopoly rent, the principal difficulties of the country are constantly ascribed.

It must be observed, however, that, even where the artificial monopoly exists, rent can only be supported by it so long as circumstances are favourable to its operation. No monopoly can render it practicable to extort high prices and high rent, any longer than the consumers of raw produce have the means of paying them. Those means, then, are the limits of price and of rent, where foreign competition is prohibited; and to the long seasons of distress, induced by high prices, and reacting depressively on the markets, are to be attributed those considerable and sudden reductions of rent with which the landlord is occasionally visited.

From the foregoing observations it should be concluded, that whatever impoverishes the consumers of

raw produce, whether it be excessive taxation, a high cost of labour, or the high monopoly price of raw produce, must ultimately narrow the sources of rent.

## SEVENTH AND CONCLUDING CHAPTER.

### Effects and Objects of Rent.

It has been questioned by some whether rent, being, as they say, a mere transference of wealth from one portion of the community to the other, is any real advantage to a country, but whether it is not, on the contrary, a tax upon one class for the benefit of another. Others have promptly denied that it can be any detriment to either portion of the community, since, corn would not be cheaper, though the landlord should forego his rent. Others, again, have maintained, that rent is the net result of the produce of the country, and therefore a clear gain.

These questions lead to a consideration of the effects of rent.

In the first place, rent is not a mere transference of value, because, while property in land continues to be regarded as a sacred institution, it cannot be said that something, *i. e.* the use of that property has not been given in exchange for it. For the same reason, rent cannot be considered as a tax upon one part of the community, for the benefit of the other. Rent is only a consideration given to the landlord, in lieu of a benefit which he previously enjoyed.

Then, is it true that the abandonment of rents by the proprietary, would have no effect on the prices of provisions? This question requires some explanation. If

rents were only to be *relinquished*, they would speedily be revived by those in favour of whom they were surrendered; but if they could be abolished by law, so that their revival would be either illegal or impossible, the consequence would probably be injurious alike to the farmer and to the community at large. Prices would not be rendered permanently lower, or permanently higher, by such a measure; but it is a mistake to suppose that the market would not be at all affected by it. Prices would become more unsteady than ever. In plentiful seasons, those farmers who happen to cultivate only the best lands, would be able greatly to undersell the cultivator of the poor lands, who would be ruined, and his farm neglected, or laid down for cattle. In a succeeding year, it is likely that there would be a deficiency and dearth of corn. But the possibility of obtaining a rent for land, proportioned to its value, at once corrects this fluctuation, as it serves to equalise the net results of different farms. It is therefore the tendency of rent to *steady* price.

Undoubtedly, however, rent is not a benefit in itself; on the contrary, we may say with Mr Ricardo, that "wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where, through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where, consequently, the progress of rent is slow." But it is nevertheless certain, that, under natural circumstances, rent is a beneficial institution, arising out of a necessary expense.

It is at the same time extremely important to notice, that under any other but natural circumstances, rent is a pure, unmitigated, and intolerable evil; and, instead

of being the steadier of price, becomes a cause of the greatest fluctuations. It is no sooner obtained by prohibitive laws, than it presses hard against the means of the consumers; it destroys those funds which created it, and which are necessary to preserve its existence. Force is then no longer of any avail. The proprietary, in the end, grasp nothing but the impoverished and inanimate body, into which life must again be infused, before the revenue from it can revive. Rents and prices now rapidly decline, in spite of restrictions on foreign corn.

In this country, it is usual to attribute the fall of prices under such circumstances, to the opening of the ports for a short period, in consequence of the *maximum* of the monopoly price having been exceeded: it should rather be ascribed to the impoverishment of the people, the effect of the previously high prices and other public burdens. If importation were the cause, it would be natural to expect that it should be longer in action than three months out of six or seven years; yet it is a celebrated fact, that, notwithstanding the vast fluctuations of price and rent since 1818, the ports have not been opened for the admission of foreign wheat during all this period; the demand for corn during the same time has not fallen off, but on the contrary, population has continued to increase; and if the supply has also been increased, the only new facility of production that has been heard of, was derived from the temporary low price of agricultural produce, and the consequent abatements of rent.

These are certainly important considerations, and experience seems to have given them to us for a study. We observe that the prices of produce for a long period declined, while foreign corn continued to be excluded,

and population to increase; if this depression were to be ascribed to excessive production, where has been the incitement to produce? It is evident, that if many farmers have been ruined, and others have been gaining but little in late years, other employments of capital have not been more productive: for, notwithstanding the complaints and dissatisfaction of the country people, fresh capital has continued to find its way into agriculture, to supply the place of that which has been sunk, and the race of farmers has been successively kept up. But the point itself appears to stand beyond all question,—that so lasting a depression, if it does not proceed from a permanent diminution of the demand, nor from any new and extraordinary facilities of production, must result from the diminished means of the demanders. As fast as under the influence of low prices those means recover, prices and rent will also revive, and, with the enervating pressure of their monopoly, crush again to the earth the tender germinations of prosperity.

It ought not, however, to be supposed, that under a different constitution of society, rent might not assume a milder character than any in which it has been hitherto viewed: for, without disputing the point of its necessary existence, it would be too much to assert, that it could not have been substituted for some other existing burdens. The lawyers say, that there is, strictly speaking, no *directum dominium*, but that which is held by the King. It would seem no bad experiment, to render this principle more virtual in some of the new states. Leases could be granted, in the first instance, of sufficient duration to induce a colony to settle in the country, and to cultivate the land, rent free; and at the expiry of the term, the farms could be offered

on short leases, for not exceeding seven years, to the highest bidders. The state, by continuing the landlord, would secure the rents for the public service, and might ultimately become great and powerful, without taxation. Building leases would of course be settled upon a different footing; but even from these much revenue might accrue, especially as they would constitute the principal description of heritable property, and as the difficulty of otherwise investing money in land, would leave the capital of the country at the disposal of agriculture and commerce, which would find occasion for the buildings.

In treating of the effects of rent, observe, it has been regarded as operating on men, and not on things, unless it be generally on wealth: for, it will be said, "Corn is not dear, because a rent is paid; but rent is paid, because corn is dear." This distinction will serve, as it respects the natural monopoly; farther, it is of little use. When it comes to this pass, that foreign corn is excluded, that high rents may be paid, it is hardly enough to say, that rent is high because corn is dear. In this case the dearth is only a secondary symptom, produced by the foreign corn being excluded, because high rents are prized.

It would be difficult to enumerate the subjects which, by the influence of monopoly, are exposed to rent. Even of those articles on which rent directly falls, it is only a few that have been mentioned as the principal subjects of rent. The selection seems to have been, in some measure, guided by the Roman distinction—"Minus est juris in usu quam in usufructu." It is, however, considerably narrowed by the exclusion of buildings; whereas, the only peculiarity ascribed to *habitatio* by the Roman authorities, was its possessing,

in a more eminent degree, the quality for which rent should be paid. "Ea arctius patet, quam ususfructus; quia ad hunc pertinet emolumentum, quod ex mercium receptione aliisve causis provenit. Latius tamen quam nudus usus extenditur, quod ædes ejusmodi aliis suo loco inhabitandas locare quis possit." It is usual to set buildings apart, as being fixed capital, for which merely an interest is received in the form of rent; but it is hardly perceptible why the analogy should be disturbed by this objection, for the difference only amounts to this—that in agriculture there is more land, and less capital; while in houses there is more capital, but less land; though the case is sometimes the reverse, and the proportion of capital added to the land in some cases by building, is less than is added in other cases by culture and fencing. The rule is, in all cases,—that a necessity or obligation to fix additional capital in the land, modifies the amount of the rent, or the term of the lease; for this reason a long, perpetual, or renewable lease is demanded where building is required; and where the building lease cannot be obtained, the requisite erections are made of a more slight and temporary description. But, after all, what is land itself but fixed capital, in the ordinary signification of the term? As all accessions to real property enrich the owner, if there be no stipulation to the contrary, so the landlord receives more or less rent, in proportion as he or the tenant fixes capital in the land. Sometimes, when the augmentation effected by the tenant is very considerable, the contract between him and the landlord approaches nearer in resemblance to sale. This is very strongly illustrated by the feuing system of Scotland.

It is rather remarkable that those who have illustrated the principles of rent by the delving and

working of mines, should have perceived any difficulty in applying the same principles to the rearing and using of houses. It may be said that the rent is paid on the materials of which the house is constructed, and that the sum paid for the use of the house is an interest on the capital which defrayed the rent, profit, and labour expended on its erection. But that interest afterwards increases, not because the value of building materials increases, though that circumstance would not be without effect, but because land becomes more scarce, because the situation improves in value, from the *use* which the tenant makes of the house, or from some other extrinsic causes, all conspiring to create a rent on the house, independent of the original ground-rent which is paid by its owner.—Is a rent also paid on the materials of which the house is constructed? The same is positively the case with agriculture: a rent is paid for the manure which is spread upon the land, for the stone and wood with which it is fenced, and for the implements employed in husbandry; the farmer pays an interest on the capital which has thus been fixed on the land, whether by the landlord, or by former tenants, or even by himself.—Then, does the difference consist in the variety of productions? Will it be said that, in one instance, we are speaking of the operations of nature; and, in the other, of the operations of man? Would corn be manufactured by Nature, if the different processes of vegetation were not to be superintended by man? In manufactures her secrets are only more minutely observed, and man takes a more particular direction of the same processes of aggregation and separation, composition and decomposition, which are required in cultivation. In the one case, the *raw mate-*

*rials* are mixed in furrows of land; in the other, the mixture is conducted in smithies and workshops, and more carefully tended.

In all other respects, the analogy between buildings and land, as objects of value and rent, can never fail. They are about equally necessary; it is equally matter of speculation whether capital be employed on one or the other, and the cause which directs its application, namely, the increase of population, is the same in both; and, lastly, rent prevails directly in both, and infects all other things that are indirectly charged with it, in the degree in which, from whatever cause, rent happens to be high or low.

Perhaps it would not be easy to mention any thing on which rent is not directly or indirectly paid. Those things which are inexhaustible in nature, and easily procured, are generally considered the exceptions, because it is presumed that no person will pay a rent for that which is so abundant as to be obtained without price. "Uti est lumen calorque solis, aer, aqua profluens, et si quæ sunt similia." And again, "Sic apricum solis lumen, liquidus et purus aer, amœna facies terræ, quatenus oculos duntaxat pascit, ventus, *umbra*, et similia in se et seorsim considerata, pretium non habent; cum homines sine talibus usu terræ frui nequeant." But it is rather difficult for these things to be separately considered. They are blended in a word, *aspect* or *situation*, in giving a preference to land; and in this manner they directly obtain a rent; but, indirectly, rent is again paid for most of them, before they can be enjoyed along with other things. The materials which compose windows, to admit air, the light and warmth of the sun, and command the pleasant prospect of the land, and also the vessels to hold water, and often the

means by which it is procured, are subject to a very heavy rent. There remains, then, only *umbra*, which, when accorded by nature, is certainly the cheapest of all things. This at least may be enjoyed without price, and without rent. Nor monopoly, nor envy, will deprive us of it.

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The following table of propositions which have been maintained in this Essay, or of deductions which it has afforded, will stand in the place of a more formal conclusion.

*Causes of Rent.*—The condition and quality (including situation) of land are considerations of Rent, and causes of more being given for some lands than for others; (p. 6.) but the deficiency of the land, owing to its appropriation among only a part of those who depend upon its produce, is the main, positive, and necessary cause of some Rent being paid, so long as those on whom it falls are able to pay it; (p. 11.) which qualification in the people is also necessary to Rent. (p. 10-11, 14, 45, 46.) The difference in the quality and condition of lands is not a cause of Rent, yet, being a reason why Rent is paid for some lands in preference to others, it proves quality and condition to be productive of Rent; (p. 6-7.) but it is according to their intensity, and not according to their variety: the latter is not necessary to rent. (p. 8-12, 18-19.) Fertility to a certain degree is necessary to Rent; (p. 10-11.) but beyond that, it is the cause of Rent, only as it refers to particular lands; and sterility, as it affects the general deficiency. (p. 15.) Demand is more efficiently promoted by a natural abundance than by a rise of wages. (p. 20-23.)

*Definitions of Rent.*—"The excess of the market above the natural price," is not a definition, but the immediate cause of Rent. (p. 25-27.) "The difference between the produce obtained by the employment of two equal quantities of capital and labour," is an imperfect definition. (p. 27-38.)

*Progress of Rent.*—Rent is ultimately affected by general taxation, (p. 39-40.) and by whatever impoverishes the country. (p. 45-46.) The tendency of Rent is to rise as profits and wages decline, owing to the increasing difficulty of obtaining raw produce. (p. 41-43.) High and Low profits are not invariable signs, the one of ruin, the other of prosperity. (p. 43.) The natural monopoly is limited by the import price, beyond which extremity a country never need be exposed. (p. 44-45.)

*Effects of Rent.*—Under this natural limitation, Rent steadies price; (p. 47.) is a necessary burden; (*ib.*) but could be substituted for other burdens. (p. 49.) A Rent is paid on houses, besides the original ground-rent, and besides the interest on capital.

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George Smail, printer,
Hunter-square, Edinburgh.

# AN ADDRESS

TO THE

## HOUSES OF LORDS AND COMMONS,

IN DEFENCE

OF

## THE CORN LAWS.

BY GODFREY HIGGINS, ESQ.

OF SKELLOW GRANGE, NEAR DONCASTER.

SUUM CUIQUE.

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# AN ADDRESS,

&c. &c.

TO THE

## HOUSES OF LORDS AND COMMONS.

My Lords and Gentlemen,

In perusing the reviews and newspapers, I have lately observed, that scarcely a day has passed in which the most bitter invectives have not been lavished upon the landlords and farmers, on the subject of the Corn Laws. It appears that the press is almost entirely in the possession of their avowed enemies, with very little exertion on their parts to correct its mistakes; or I fear, sometimes, its wilful misrepresentations. Amongst the enemies of the farming interest, the Morning Chronicle and the Edinburgh and Westminster Reviews, have taken a leading part. The last, in its sixth number, with much ability, and in a small and reasonable compass, seems to have consolidated all that has been alleged with any appearance of reason, by the different writers on its side of the question; and as it has had no contradiction given to its statements, I have been induced to submit to your consideration some observations in reply to it,—to enter the lists, and try to break a spear with this nameless, masked opponent, who has no hesitation to use hard names to others, very contrary to the usual practice of this respectable reviewer, though he does not think it expedient to divulge his own.

The article of the Westminster Review is reprinted entire at the end of this letter; and its sections are numbered, in order that reference may be more easily had to the arguments on each side, and that you may be assured, without trouble, that the whole of the question is submitted to your consideration. If the sections

in the earlier part of it do not always appear to be fully refuted, the author flatters himself the refutation will be found satisfactory in the end. The consideration, or full discussion of them, is only delayed to the latter part, in order to condense the matter as much as possible, by avoiding repetitions.

By this means, the writer flatters himself that the subject will be laid before you in a plain and simple form, without being confused by the metaphysical profundity of modern political economy; in the depths of which many excellent and very able men seem lately to have been much bewildered, if not absolutely lost. And as the article in the Westminster Review is the concentrated essence of all that has been said against the farmers and landlords, the author considers, that if he succeed in refuting its arguments, he will have a right to call upon you, in the performance of your duty, still to continue to shelter and protect, as you have hitherto done, the thousands and hundreds of thousands of farmers and landlords, and their dependants, from the ruin with which they are threatened.

From the opening paragraph, Sec. 1, it appears, that the subject is not to be dropped till, by means of continual solicitation or repetition, the object of the reviewer is obtained. He neither hopes for, nor pretends to discover any thing new. He says,—*It is not enough that they* (meaning, of course, the legislators) *should be made to think on the subject.* Now it is here admitted that *they have* thought on the subject, but it is said that something more must be done by the enemies of the farmers; and what is it that they are required to do? *They are to proclaim their opinions with a loudness and perseverance which may overawe those whom they cannot hope to convince.* Thus, my Lords and Gentlemen, you see that the manufacturers, who, good souls, are totally without prejudice, and are the only persons capable of judging, are to OVERAWE you; that is, to compel you to comply with their views, by clamour, &c.; and this they are to do, because *they cannot hope to convince you.* It is not necessary to add any thing more respecting this candid peroration, except that it has the great merit of being devoid of hypocrisy, though certainly it contains a very bad compliment, either to your honesty, or to your understandings. You either cannot see the truth, or seeing it, you will not be convinced.

There can be no doubt that the assertion in Sec. 2, that it is the interest of a nation to purchase its articles where they can be had the cheapest, is generally true. But though this be true in the abstract, it does not follow, that where very great new and artificial interests have been created, on the solicitation of either the manufacturers, or on the mistaken views, or for the furtherance

of the guilty objects of a ministry, or for any other reason, that these *interests* are to be sacrificed to an abstract theory, in gratification of the caprice, or in promotion of the pecuniary views of any set of men, and at the expense of all the remainder of the community—a remainder, whose very existence has become identified with the new and artificially-created state of society. Nor does the expression used by Mr. Curteis justify the charge brought against him, of supporting monopoly in the abstract, though he probably may be weak enough to consider a little,—to hesitate, before he sacrifices, at a single blow, the certain comforts and welfare of millions of his unoffending countrymen, at the shrine either of a new or old philosophy.

It is not *invariably* true, as stated in Sec. 3, that it is desirable *to the purchaser* that commodities should be cheap. It is not desirable, if in order to produce this cheapness his means of purchasing be thereby destroyed. Some years ago, when corn, &c. fell to a very low price, the labourers in husbandry were filled with joy; but, alas! their joy was soon turned to sorrow, when they found, what they had not before thought of, that by the ruin of their masters, they were deprived of wages wherewith to buy the corn, cheap as it was. Many of them did not hesitate to acknowledge their wishes for a return of high prices.

The small tradesmen in the country towns were equally delighted with cheap corn; but they soon repented, when they found that there were no Christmas bills to be paid, and that gloom and sadness had usurped the place of cheerfulness and brown stout, or Christmas pies, in the former hospitable butlers' pantries, or housekeepers' rooms of the landlords.

In most of the treatises on the Corn Laws, see Sec. 4, much labour has been expended to prove, that their abolition would not injure the landlords, as thereby the price of grain would not be decreased.* But this only proves that their authors belonged to that set of persons who were of opinion, that the landlords deserved the nickname, which has been humourously given to them, of *Jolterheads*. However, I trust that upon this subject, such of them as have seats in the Houses of Lords and Commons, will show, that they at least do not deserve it. The reviewer admits that the effect of

* In the Morning Chronicle of Dec. 6th, 1825, is an account of the price of provisions at Tours, in France; from which it appears that good bread varies from one sous to one sous and a half a pound, and that a man can maintain himself, his wife, and three children, for 7½*d.* a day English, in a comfortable manner; indeed the paper says, luxurious manner. From this admission of his opponent the Chronicle, the English farmer may easily judge, what would be the price of grain in England, if the Corn Laws were abolished.

the Corn Laws is to raise the price of grain; and, therefore, that their abolition will reduce it. Probably, before he gets to the end of this letter, the reader may think that the reviewer, in maintaining, in some degree in opposition to his former admission, that the fall in the price of grain will be but trifling, shows that *he* is one of the persons who take the landlords for *jolterheads*.

The author is very far from justifying the whole of the conduct of the landlords for the last thirty years; but he has no hesitation in saying, that the disgraceful sweeping assertion which has escaped the pen of this respectable reviewer, in the first sentence of Sec. 4, tending to instil into the mind of the reader, that evil to the community was indifferent to the landlords without exception, so long as they thereby obtained high rents, is an unfounded insinuation.

It is not true that the landlords are the sole gainers by the rise in the prices of grain. It may be easily shown, that the farmers are gainers in various ways; but one will be enough. Along with the rise in the permanent price of corn, the value of every article of which the farmer's stock in trade consists increases; and his lease, not the least, if he have one.

In Sec. 5 the reviewer takes credit to himself for stating a case most favourable to the landlords; but surely with very little justice; for in the very first sentence he has mis-stated it. The question does not lie betwixt the landlords and the people generally, but, as I shall hereafter show, betwixt the persons who live on the interest of money, the persons who live on fixed incomes, annuities, rent charges, &c. the manufacturers solely for foreign consumption, and a few professional men, on the one side: and the landlords, farmers, and all the remainder of mankind, on the other, amongst whom are to be placed an immense multitude of small retail tradesmen, depending for subsistence on the landlords and farmers.

The whole of Sec. 6 and 7 are nearly as loose and indefinite as the expression of, "*protecting agriculture;*" but yet, as it is admitted that the Corn Laws increase the price given for agricultural produce, a person of plain common sense may be induced to believe, that there is nothing very absurd in the supposition, that to give a higher price than has formerly been given for the fruits of the earth, is to encourage agriculture or horticulture, as the case may be. There can be no doubt that the gains of the farmer are, in some respects, of a different nature from those of the landlord, but it will be difficult to prove "*that no two interests can be more diametrically opposite.*"

The reader may here observe, that the reviewer is beginning to discover what I hinted at in a former section, that the exclusion of foreign corn is not beneficial to landlords, *to so great an extent* as

has been supposed. Probably before we finish it will be discovered, that the jolterheads will act wisely for their own comforts, to reduce their rents a little below zero.

It is admitted in Sec. 8, that although corn should rise, the labourer would receive the same *real wages* as before; that as it rises, his wages rise, and thus he receives no injury from the dearness of corn. This is all true; but not so the next assertion, *that the manufacturers are compelled to give a greater value to their labourers, without having a greater value for themselves*; because it is notorious, that as wages rise they increase the price of their articles; and in order to enable them to do this they have surrounded themselves with restrictions upon articles of foreign manufacture, in every manner that they could devise, and in many cases very properly, although in some unwisely.

The farmer, like all other capitalists, will raise the price of his produce to remunerate him for the rise of wages, if he be not prevented by the opening of the ports. In this case, the admission of foreign corn operates precisely the same as the admission of foreign manufactures in the former case.

Notwithstanding what is said respecting the gain of capitalists in Sec. 9 and 10, a high price of corn is beneficial to the farmer in various ways; as for instance, by increasing the value of his capital; for every article on his farm will rise in value with the rise in corn; and though the corn which he and his labourers consume cost him more, the additional cost is charged to those who purchase the remainder of his crop. The same precisely as is done by the manufacturer.

The landlords do not wish, as insinuated in Sec. 11, that the whole community should be taxed for their sakes alone; they wish for nothing but what is just; and though the reviewer affects to consider that he has proved his case, he feels conscious that it is not safe to leave it here,—he seems to think it expedient to say a little more than enough; it will therefore be necessary to examine this little additional matter. Notwithstanding all that the political economists may say, it has not yet been proved that national wealth does depend *solely* on large profits to individuals. It is very possible that the profit upon stock or capital made by each individual member of a community may be very small; yet if that community be *very* industrious, the capital may rapidly increase: and, on the other hand, it is possible that the profits on the stock of a community may be large, though if that community be very idle, its wealth may not increase so fast as the wealth of the community that is very industrious. The great number of the small profits of the industrious community may more than counterbalance the small number of the large profits of the idle one; but it is

not of much consequence to push this any further, as it does not seem much to affect the question.

The landlords are accused, Sec. 12 to 16, not only of being robbers, but of being wanton destroyers of the wealth of others. In order to prove these assertions, a good deal of verbiage is used not in a very tangible shape. It is very true that the purchasers pay a higher price for the corn than if there were no Corn Laws; but this higher price consists of nothing more than what the landlord gets, and the increased price required by the persons whose labour is used by the farmer to bring the corn to market, and the increased price of his own subsistence. And though this may be injurious to the purchaser, the cause of it is not to be found in the landlord, but elsewhere, which the reviewer does not notice; but into which a little enquiry will presently be made. The reviewer here contradicts what he has said before, that the situation of the labourer is not worse in consequence of the increased price of corn, because with its increased price his wages rise. It is certainly true that the Corn Laws have the effect of continuing a portion of capital in, and causing a quantity of labour to be bestowed upon the land, which would not be so continued and bestowed without them. It is also true that if the Corn Laws were to be abolished, the labour of the 120 or 130 of the men of Britain now employed to raise a given quantity of corn, would be immediately dispensed with, and would be exchanged for the labour of 120 men only of Poland or France; and the 120 men of Britain would be actually reduced to starvation, whilst the labourer of France or Poland would be benefited. But it will be difficult to persuade either English labourers, farmers, or landlords, to approve this.

Every newspaper is filled with complaints, that the North Americans cannot buy our manufactures, because we will not take their grain in payment. It is very evident that a certain quantity only is wanted for the world's consumption; and it merely comes to the question, whether the given quantity is to be supplied by American people or by British people? If the desired change take place, the American farmers will consume a certain quantity of goods which the English farmers now consume; and the English will cease to consume them. But how will this materially benefit the manufacturers? By means of machinery, more goods are made than the world can consume. At the same time, by means of the facilities afforded by banks, &c. new land is daily brought into cultivation in America, &c. and more corn raised than the world can consume. Thus both classes are constantly on the confines, or rather beyond their proper bounds; this keeps down the price of both, and straitens them in their profits,

and causes complaints; but it increases population, and as population keeps increasing, the difficulty keeps removing. The increase of population, both in America and England, again increases production, and its excess again keeps encouraging population. Thus the quantity of calico and corn which overstocked the world seven years ago, is now not enough; and thus, notwithstanding all the complaints of the cotton-makers in England, and corn-makers in America, they keep constantly increasing in numbers and wealth.

The reviewer seems to consider what he pleases to call *throwing the lowest soils out of cultivation*, with perfect complacency; see Sec. 19. He never wastes a thought upon the sweeping ruin, which would be produced by the employment of the 120 foreigners instead of the 120 British, and the *throwing the lowest soils out of cultivation*. This mass of ruin is below his consideration. But if he will be kind enough to descend from his lofty political economical hobby-horse, and inquire a little further, he will find that these two operations will not only involve the ruin of the largest part of the farming labourers, the farmers, and the landlords, but that along with them must go an immense number of little tradesmen, in the villages and small agricultural towns throughout all the island, who are entirely dependant on the occupiers of land. It cannot be believed, that if these respectable editors and reviewers saw the effect of the experiment which they recommend, they would advocate it for a moment. But bad as is the effect which has been described, there is yet another effect which has not been noticed.

In consequence of an outlay, under the patronage and encouragement of the government, of an immense capital, and of unceasing labour and skill for the last twenty-five years, our country, comparatively speaking, is converted from nearly a desert into a beautiful garden. From a *principle of economy* this immense mass of wealth is to be destroyed, actually destroyed, as a taper is destroyed when it is burnt; and the garden is to be converted into a desert, *thrown out of cultivation*. This is done to save or gain money. In this case the capital cannot be transferred from the land to some other employment; it must be actually destroyed. In consequence of the encouragement given by several successive parliaments, &c. to cultivate waste lands, the author of this improved an estate in Yorkshire, by enclosing, draining, &c. &c. by which it was raised in value, from about one shilling to twenty-five shillings an acre; and thus an estate producing a profitable return to the public, probably of not less than three pounds an acre for ever, it may be said, was created. The land which barely kept a sheep on five or six acres, is now covered with fine cows, the butter of which is regularly sent to Leeds market once a week. This is now all to be destroyed, the land again restored to its native ling or

grouse, in order that a new set of persons may be produced, who are not yet born, to swell the size of our large manufacturing towns, and people a new set of enormous factories, with a population of miserable, short-lived children, rendered rickety by the unwholesomeness of their employment, and the excessive quantity of their work;—in order that the up-grown manufacturers may, out of the seven in every week, spend three days instead of two, in drunkenness and idleness:* and in order that the chairman of the meeting at Leeds, who presided lately when a petition was got up against the Corn Laws, may keep three or four four-wheeled carriages instead of two. This case of the author's estate may be seen repeated in a greater or less degree in every parish in Britain. The farms of Mr. Coke around Holkham have been improved in a similar manner; and instead of keeping a few rabbits on land worth half-a-crown an acre, they are covered with the finest crops of grain, and occupied with a healthy and happy tenantry, all of whom must go to the parish; for it is out of the question to think of employing a pair of hands, which have been used perhaps for twenty years to fill a dung-cart, in sorting the hairs of a Cashmere goat to make into Norwich shawls, or handling the fine skeins of the silkworm.

The absurdity of all this in another point of view is very striking, and exhibits an extraordinary example of short-sightedness. It may be asked, who are the great consumers of the manufactures made by these brawlers for no Corn Laws, but the landlords, the farmers, their labourers, and the retail tradesmen and artificers dependant upon them? And though they are certainly not the sole consumers, they are unquestionably the largest consumers, and the best customers which the manufacturers have in the world: and these cheap corn men are so weak as to think, that they will be benefited by reducing the property of these customers; by rendering them less able to purchase their goods! Was ever any thing so foolish? Very deservedly they might be left to suffer the punishment which would naturally follow the effect of their folly; but unfortunately this cannot be, without involving millions of unfortunates in their ruin. They cannot set their own houses on fire without burning their neighbours'.

The author of the Review Encyclopedique of France, has lately given a comparative view of the commerce of France and England.

* It is well known, that in Yorkshire, when provisions are low and trade brisk, the operatives seldom go to work before Wednesday. The character of the population formed in the factories on the ruin of the highly respectable domestic manufacturer, so much lauded formerly by Messrs. Wilberforce and Lascelles, in their report on the cloth trade, shows itself in times of prosperity, in vice; in times of adversity, in crime.

As to the questions betwixt the foreign and domestic traders and consumers of England, I do not see any reason why he should not be considered an impartial judge; and he states as follows:

| | Francs. | Pounds. |
|---|---|---|
| The home trade of Britain | 8,604,850,000 | 358,535,416 |
| The foreign trade of do. | 1,894,275,000 | 78,969,791 |

The economists may dissect and distort these numbers as they please; the immense superiority of the certain domestic, over the uncertain foreign trade, must always remain apparent.

The history of the trade of Great Britain since the peace proves the truth of what has been advanced, respecting the consumption of the manufactures. For some years after it took place, trade was in the most depressed state. This was caused in great part, if not entirely, by the state of embarrassment and misery into which the landlords and tenants, and all the little dependent trades, were brought by several causes united to the return to cash payments. By degrees, as they began to recover, trade began to revive. They began to buy again, so trade flourished; and so it continued till the end of the year ending Jan. 5th, 1824. There never was a time when the manufactures of the country were so flourishing, as during the year ending Jan. 5th, 1824. This was entirely caused by a return of the landlords and farmers to a state of comparative prosperity, and not by the *foreign trade*, for in this year the exports fell off 432,163*l.*

The exports in the year ending January 5th, 1823, being 44,236,533*l.*, and in the year ending January 5th, 1824, being 43,804,372*l.*, a reduction, as said above, of 432,163*l.*; since that a great alarm has taken place amongst the landlords and farmers; all improvements have ceased, and the laborers in husbandry are greatly distressed. The landlords and farmers have been husbanding their resources, to meet the impending storm; the trade in consequence, this last year, it is said, has declined. This declension the manufacturers attribute to dear corn; when in reality it ought to be attributed to the fears of the farmers. What can be more striking than the fact, that the manufactures flourished in the year 1823, though the foreign trade declined? No person need wish for a more decisive proof of the truth of what is here advanced.

It has been observed (just now), that the landlords, &c. are not the sole consumers. There is certainly another very large class, and this shall be now introduced to your notice.—— A set of ladies and gentlemen, who are of very great consequence in this affair, but who, very disrespectfully, have been entirely overlooked by the reviewer—never named once! He may

probably be one of this class, and therefore too modest to speak of himself; however, though I am one of them to a small amount, I shall not carry my modesty quite so far.

During the last and former wars, in order to raise supplies to carry them on, the government, in return for sums of money advanced, granted annuities. These annuities were redeemable at the option of the grantor, on paying a certain sum to the grantee, for each given sum of annuity. This annuity was secured on the produce of the taxes. The holders of these annuities, to the amount of betwixt thirty and forty millions a year, are called stockholders, or fundholders. It is evident that they are consumers to the amount of their annuity, and of course are greatly interested in these discussions. It is worthy of observation, that in all the speeches of the corn abolitionists, the public annuitants are never once named, but studiously kept out of sight; though in fact it is their existence, and not the avarice of landlords or farmers, which causes dear corn—which renders the continuance of the Corn Laws necessary. Abolish the annuity, (the landlords say,) and you may abolish the Corn Laws when you please. The heavy taxes are the cause of the dear corn; and though this has been proved a hundred times, as it is studiously kept in the back ground, it shall be once more explained.

It is constantly said, that all taxes are paid by the consumer. This depends entirely upon what is meant by the word consumer. If it be meant that the person who eats, or drinks, or wears the taxed articles, pays them, it is very far from being always true: it is in fact very seldom true. An attempt will now be made to discover who does pay them.

Let the case of a shoemaker be taken, who gains his living solely by his trade: and suppose a tax laid upon leather, or a shop tax to be imposed. It is very evident, that if the shoemaker only made, before the tax was laid on, a fair living profit,—a fair return for his capital, skill, and industry, he must make his customers pay the tax, or he must be ruined. In order to do this he raises the price of his shoes, putting a small additional charge upon each pair. Suppose a pair bought by a tailor, a pair by a farmer, a pair by a landlord, a pair by a laborer in husbandry, a pair by a fundholder, and a pair by a cotton manufacturer, for the use of foreigners only.

As soon as the tailor finds that he pays more than usual for his shoes, he raises the price of his coats, and thus he escapes the tax; and if the persons who buy the coats be tradesmen, they make their customers pay it, as the tailor made them pay it: but if his customers be fundholders, or persons who live upon the interest of

money, these can no longer throw it from their shoulders, and thus it ultimately falls upon them. If the customers who buy the coats of the tailor be manufacturers of calicoes for Frenchmen, the Frenchmen pay it. If the customers who buy the coats be laborers in husbandry, they raise their wages, and thus the farmers pay it; and if the farmers be only tenants from year to year, they lower their rents, and thus the landlords pay it. But if the farmers have leases they cannot lower their rents, and therefore they pay it; and if it be sufficiently heavy they are ruined, because they cannot raise the price of their grain to their customers, being prevented by several circumstances which do not apply to other tradesmen.*

If the customers who buy the coats be landlords, they pay it, because they cannot raise their rents, the tenants, as has just now been shown, in consequence of these very taxes, being under the necessity of lowering their rents. It is useless to pursue this train of reasoning through a thousand different ramifications, as might be done. Without going further, any person of common sense must see, that this is at last the fact; that the annuitants, the livers on interest of money, certain professional men, and the landlords, are the payers of the taxes, to which must be added the *foreign* consumers, or buyers of our manufactures.

It was said above, that the farmer could not raise the price of his commodity: this depends upon a variety of circumstances. In a scarce year he can, but not in a plentiful one: nor can he if corn be brought into the market by foreigners, who from any cause whatever can afford to sell corn for less money than he can: and as many nations have not half the taxes to pay that he has, and have also a finer soil and a finer climate, they can undersell him; and thus as he cannot raise his price, in consequence of this importation, he is ruined by the taxes if he have a lease; and if he have not, he then, to save himself, obliges his landlord to reduce his rent, or else he will throw up his farm, and the landlord is ruined; or, in the language of these economists, *the land is thrown out of cultivation*. In order to prevent this, and in order that the taxes may be obtained, and the annuity paid to the fundholder, the Corn Laws were made, to exclude foreign corn, by which means the farmer is able to pay his rent, and the taxes to the government, and the government is enabled to pay the annuitant; and thus the annuitant, so carefully kept out of sight, is the cause of all the difficulty. If

* In the beginning of the French revolution war, when taxes were imposed, tradesmen were generally much distressed by them, from not understanding how to throw them on to their customers. But before the end of it, they learnt to raise their prices by a simultaneous movement, and a new tax, however large, scarcely annoyed them at all.

the rent and the annuity be paid to its extent, there must be a Corn Law.

Now what the annuitants and the cotton manufacturers want is this; that corn should be admitted free. The effect of this would be, that the manufacturers could sell their goods much cheaper to foreigners, as they would get their food so much cheaper; and for the sake of the cheap food, the annuitants wish the same thing. They calculate that though the landlords would be ruined, as little or no rent would be obtained, yet they, the annuitants, would live much better on their fixed incomes, the provisions, and consequently every thing else, being so much cheaper. Thus the annuitants, though kept out of sight as much as possible, on account of the utter rottenness of their case, are strictly in alliance with the manufacturers against the landlords: and for several powerful, though *concealed reasons*, a part, if not the whole of the government, is in strict league also with the manufacturers and annuitants against the landlords; therefore it is highly necessary for the landlords to look about them. Their enemies are both numerous and active, and have the press entirely in their power. In order to make the subject clear, I have put the cases in an extreme point of view. It is obvious, that if the Corn Laws be abolished, the landlords and farmers are ruined; if only partially removed, they are injured in a proportionate degree.

But in the progress of these proceedings, it is very evident, and has been proved by Mr. Cobbett over and over again, that very near all the landed property of the kingdom must change hands.

It may be as well, in passing, just to observe, that my lords the bishops, and all the numerous rectors, deans, prebendaries, &c. are to the full as much interested in the question, as the landlords and farmers.

A strong epithet, *rottenness*, is applied above to the case of the annuitants. Though not necessary for your information, it may be useful to some persons into whose hands this may come, to know a little of the nature of the transaction betwixt the fundholders and the ministers. During the war, whenever the minister was greatly distressed for money, he sent into the city to the money-jobbers to ask them to assist him. A meeting then took place, and they agreed to advance him what he wanted, at different times on different terms, according to what they considered to be his necessities: but usually in the following or a similar manner. They advanced a sum, say 100*l.*; in return for which the minister gave them, say 30*l.* three per cent. consols, 10*l.* four per cents, 40*l.* long annuity, and perhaps 10*l.* short annuity; and perhaps three shillings and sixpence three farthings in money. The real private object of all this jargon was, to disguise the nature of the business from the

public.* The transaction being finished, the minister came instantly to the house of commons, and announced that he had made a *famous* bargain; in fact, overreached the jobbers. The jobbers went instantly to the city, and nineteen times out of twenty sold their annuities for a great premium, and made an enormous profit. The real naked fact was this. In return for about 50*l.* the minister granted an annuity of 3*l.* a year, redeemable by him whenever he pleased, paying for such redemption the sum of 100*l.* for about every 50*l.* advanced. Thus the sum now necessary to redeem those annuities is, in proportion to the sum advanced, enormous.

These annuities are always on sale, in a place called the Stock Exchange; and the opportunity of speculating in their rise or fall has created a system of profligate gambling, never equalled in the history of the world before. Many of the annuitants are undoubtedly above the least suspicion of being implicated in the transactions to which I here allude. But taking them as a whole, they are always protected by every minister for the time being, as the apple of his eye.

Although the annuitant made a real Jew bargain, it was a bargain, and it ought, if possible, to be supported. But under a pretence of supporting or fulfilling a contract, he wishes the government to adopt such measures as will, in fact, out of the ruins of his neighbour's property, give him double what he contracted for. He says, I contracted to be paid a pound, and I ought in justice to be paid a pound: but not if the government, from ignorance or design, has doubled the value of the pound; particularly too if the act of the government be at the instigation of the fundholder.

The government contrived to raise the annuity given in exchange for such an enormous sum as six or seven hundred millions sterling on such ruinous terms, by increasing the import price of grain, from time to time; so that, as the taxes increased, the rents increased, and thus the landlords were enabled to meet them. Although other means were used, yet without this raising of the import price, the taxes never could have been paid. Now it is evident that the import price cannot be raised above a certain height, and therefore it is the object of the government to lower the price as much as possible; so that, whenever another six hundred millions shall be wanted, there may be room to raise it from time to time. It is like having a great store of wealth in hand to go on with. And such of the ministry as are *novi homines*, and have no ancient prejudices in favour of old families, and family estates, only look to the reduction of the rents as a source of power. I do not suppose

* It arose from accident, but it was continued from design.

they, whatever the annuitants might do, would wish absolutely to ruin the landlords outright; this would be bad policy for many reasons; but they would wish to bring them down as low as they could, just to save them: so that when they choose to begin a new war, they may be sure, by a skilful use of this now tried machine, to have a means of raising money; and as the situation of the landlords would begin to improve as the war advanced, they calculate that they would have them also on their side.

You must now see, from what has been said in the foregoing digression, that it is not for the landlords that the people of Britain are taxed in the price of their corn, but that it is for the benefit of the annuitants: that the landlords are, in fact, nothing but factors and tax-gatherers for the annuitants.*

From Sec. 19 and 20, it seems the two political economists, the Edinburgh Review and the Westminster, are at variance, as to what would be the effect of abolishing the Corn Laws; and you may perceive that the Edinburgh wishes to persuade you, in the very teeth of common sense, that the price of wheat would not fall below 60s. a quarter: and the Westminster wishes to persuade you, that if it should fall, the landlords would be most amply compensated, for they would gain all the advantages of a steady regular price; so that, though there is evidently great doubt as to the result, they both come to the same thing, *abolish the law*. As for the steadiness of price, with which it is hoped to delude them, more of it presently: it seems to be the grand sop, with which they are to be bribed; but it must either be a very powerful spell, or they must be 'jolter-heads' indeed to consent, in admitted ignorance of the effect, to abolish the present laws, which work well for the whole community, as its great prosperity proves.

It is not necessary to follow the editor through his examination of Mr. Solly's evidence, the returns from Dantzig, absurd ideas about the monstrous price to which corn would be raised by our going to buy it, &c. &c. as the reviewer admits what any person of reflection must know, who has ever set foot across the channel, that the moment it was known that we were absurd enough to ruin all our farms, in order that we might send for corn from abroad in future, in many countries, vast tracts of fresh land would be

* A nameless annuitant, in a lately published pamphlet, in order the better to deceive the jolterheads, and by a show of liberality strike the more deadly blow at them, has admitted so much truth, that the author has been induced to reprint a part of it, and it will be found in an Appendix. The gentleman named in it, Mr. Mill, is a great favourite with the reviewers and the new economists: I hope, my lords and country gentlemen, you will not fail to bestow upon him some signal mark of your approbation. You must approve his plan of disposing of the land. See App.

broken up, and sown with wheat. Our foreign trade would perhaps increase, but not in the same proportion as our domestic would decrease. It seems very clear, that from Odessa and several other places, if not wheat, flour at least could be sold in the London market at a price equalling what could be made from wheat, when under 80s. a quarter,* probably less. The landlords will surely be more wise than to pay any attention to these returns from America, Rotterdam, &c. in Sec. 38, 40, got up by their enemies, evidently to serve their own purpose. But there is one fact creeps out from the Rotterdam return, well worthy of attention, as it is the admission of an opponent.

The landlords are told, that steady prices are to be the effect of open ports. The ports of Holland are always open; and mark how uncommonly well these open ports succeed in keeping the price regular.

The price at Rotterdam, in 1817, was 93s. a quarter; in 1822 not quite 80s., one third; and in 1824 it was actually under 25s. See Appendix, No. 3. Surely if any thing can open the eyes of the landlords to the nonsense of steady prices, this will do it. Prices can never be made perfectly regular, till the east winds are rendered more mild, mildew prevented, and a fine shower produced every Sunday morning. Carry these points, and then you will have regular prices. The practice of kiln-drying wheat, and storing it in granaries, is more likely to produce regularity of price, than any other device that I have heard of. Warehouses are building in many parts of England in great numbers, and of prodigious size; where it is said, that if wheat be properly dried, it may be kept perfectly sweet and good for eight or ten years, without being moved even once; that in fact turning it is detrimental: thus all waste and expense is obviated. This seems to put it in the power of a nation, always to prevent any very enormous variation; at least, to make the variation less than it was in the open port of Rotterdam, where it was nearly as great as ever it was, betwixt any two succeeding years within the last twenty-five years in England.

The reviewer, in Sec. 38, says, that he has received from a great commercial house at Liverpool, the average prices of wheat from 1820 to 1824 inclusive. It is unfortunate that he did not procure it from 1815, as he has done in the Rotterdam return in Sec. 40. It seems very probable, as the ports of America must have been open to the Dutch, that the prices must have borne a relative proportion in the two countries; and that we should have found nearly a similar difference, betwixt the year 1817 and 1822 in America,

* See Appendix, No. 3.

as we find in Holland. I attribute this deficiency in the return, not to design, but to inadvertency; because, if the reviewer had *wished* to suppress information, he would not have given the Rotterdam return, by which the *argument of equality of prices*, so much depended on, and which is to be produced by open ports, is proved to be unattainable by that measure at least: and the failure of the effect in the open ports of Holland, proves how dangerous it is for the farmers to risk their very existence on the confident assertions of the annuitants and reviewers. Assertions which, in effect, produce to those who make them a great increase of property, are easily made. Persons without any ill intention, easily persuade themselves that those things are expedient, which benefit themselves.

The way in which individuals seem to think it their interest to store corn in large granaries, promises to obviate the evil of future very unequal prices in a great degree. If it can be made a source of profit, it is evidently much better that it should be done by individuals, than by the government. If it be not possible to do it any other way, it would be very desirable to do it by large joint stock companies; but it seems very certain that it may be done one way or another, so as to prevent any ruinous fluctuation of prices. There is one granary lately built near Wakefield, in Yorkshire, the different floors of which afford a space equal to more than an acre of ground.

In the latter part of Sec. 43, the reviewer seems angry, because the landlords will not believe that the opening the ports will only make a difference of eight or nine shillings a quarter. But they may reply, taking him at his word, if it only make so small a difference, the increase which this will make in the cost of any manufacture, will be so small as scarcely to be perceptible. It will not, probably, raise the price of the lowest priced calico a halfpenny a yard, or the highest priced cloth a shilling.

The fluctuations in the price of corn, see Sec. 44, have not been caused by the restriction on the import of foreign grain; nor would the removal of the restriction prevent them. They are sometimes caused by the variations of the seasons, causing good or bad crops. When a bad crop comes, making corn dear, landlords know better than to raise their rents, because they know, what the annuitants and manufacturers seem never to know, viz. that though corn be dear, the farmers have less of it to sell. And when an unusually good crop comes, reducing the price of corn, farmers do not think of reducing their rents, because the increase of quantity balances against the decrease of price.

But sometimes fluctuations are caused by the measures of government, bank restriction acts, &c. &c. Then, indeed, landlords

raise or lower their rents, to endeavour to save themselves from ruin: but restriction on imports has nothing to do with these fluctuations.

In Sec. 45, the reviewer seems to argue, as if, when corn was scarce, it was prohibited by the English law. On the contrary, the moment it becomes too dear, it is admitted. Our regulations have prevented famines, though we have had severe dearths. Italy with its open ports and fine soil and climate, has had a real famine within the last seven years. Great numbers of people actually died on the road-sides of hunger. If our ports were open, after a little time no more corn would be grown in the world than is grown now. The only difference would be, that it would be grown in Poland and America instead of Britain. The desert of Poland would grow into a garden, the garden of England into a desert. It is true what Mr. Tooke says, Sec. 46, that a small variation in the supply will create a great variation in price. On this account the newly formed large granaries promise to be peculiarly beneficial; and indeed, to obviate all the difficulty, when combined with several other measures always in our power, whether they be used for home-grown or foreign grain. The permission to bond foreign corn is excellent. The reviewer, Sec. 47, is under a great mistake in saying less corn is not consumed when it is dear: the contrary is the fact; much less is consumed, and the poor suffer in consequence.

He is also nearly equally mistaken in saying, that wages do not rise in proportion to the rise in the price of corn, because they are affected only by *permanent* variations in price. Every day's experience proves that they rise almost instantly. The assertion here made, directly contradicts the assertion made in Sec. 8; but these kind of contradictions almost always take place, where systems and arguments are not on any solid foundation.

The arithmetical calculation, in Sec. 48, cannot be disputed; but this is no argument against the Corn Laws: and it may be shown that the days are much more of the halcyon kind, when the farmer is selling his corn cheap in consequence of having a double crop. In the former, when the crop is bad, he gains a certain sum, with the ill-will of every one about him; in the latter he probably gains a larger sum, with every one's good-will. It is rather hard upon the farmer, that he should be blamed for exerting himself to cultivate his farm well, and thus to endeavour, by honest industry, to support his family, at the same time that he is meeting the public necessity.

It is not true, see Sec. 49, that a trifling excess of crop produces a depression in price, greater in proportion than a trifling deficiency of crop produces excess of price: the contrary is ge-

nerally true, because the former case is not attended with unfounded alarm, as the latter almost always is. The surplus produce of our plentiful years promises to be effectually provided for by the new granaries building; and all the ruinous consequences here described to arise from agricultural prosperity, are totally unknown in Britain yet, and always will be, as long as we continue an importing nation. There has not been any distress and throwing land out of cultivation, like that described in Sec. 49, 50, except that caused on the alteration in the value of the currency, by the return to cash payments, &c. As long as Britain cherishes her agriculture so as to grow nearly enough for her own consumption, the little she wants will *probably always* be obtained; but when she ruins all her farms, except a few of the very best, she will find she is liable, as she was formerly, to constant famines, though her population bore no comparison to what it is at this time. The farmers are much obliged to the reviewer for his anxiety displayed for them, in Sec. 49; but they are willing to risk the ruin he foresees: they quote to him the old line of Latin, which *they learnt at school*, 'timeo Danaos, et dona ferentes.'

The landlords and farmers are also much obliged to Mr. Whitmore for his anxiety for them, lest they should fall into the situation of West India planters, as shown in Sec. 53. If he wish to oblige them still more, he will be kind enough to let them alone.

There is no doubt, that an improvement might be made in the mode of taking the averages, by increasing the number of places where the prices or sales are registered; but the landlords ought to be very careful how they allow any alteration, where it is evident that all the improvers are united against them. A few, and a very few instances of fraud or abuse in the mode of taking the averages, have furnished, to the manufacturers and annuitants, a ground for much idle declamation and misrepresentation. And I believe that the acts of fraud have been done, if done at all, for the sake of opening, not of shutting the ports, to benefit the fundholders and manufacturers, by reducing the price of grain.

The extraordinary depreciation in the value of grain, &c. which took place a few years ago, was the effect of a combination of causes, which is never likely to take place again. The change in the value of the currency, by distressing the farmers, obliged them to bring their grain to market, in a manner very different from what was their usual practice. About this time the very proper measure of opening the ports of Ireland to England, began to operate with an effect which had not been foreseen; for in consequence of the previous years of high prices in England, as soon as the ports

were open to Ireland, its farmers, to a very great extent, ploughed up their rich pastures, and thus were enabled to pour an enormous quantity of grain into the English markets. When, to their great disappointment they found, that they had ruined their rich feeding pastures to produce grain which was worth nothing.

About the same time several years of unusual productiveness came together, in close succession. These causes operating, opened the foreign ports, and thus aggravated the evil; and the union of them all, produced the ruinous effects with which we are acquainted. But it is evident that these causes can never unite in the same manner again; and therefore I hope that the charitable and humane anxiety of the annuitants, for fear lest the farmers should suffer from the unsteadiness of prices on the side of cheapness, has no foundation in truth: at least to the extent to which it was carried in the times of which we have been speaking. The great granaries will, I trust, be ready and effectual to receive the overplus of superabundant years, and reserve it for a time of scarcity.*

The project displayed in Sec. 54, shows that the agricultural reviewer is only qualified to farm in Grosvenor or St. James's squares. He is a very good man at his pen, but he is not a prime farmer. The greatest part of the corn land could not be converted into pasture, but at a very great expense, and with an immense loss. Not so much as a twentieth part of the present corn lands could be returned to a good sward of grass in less than ten or a dozen years; and when they were so restored, *in consequence of the free admission of foreign wool*, they would be worth by the acre very little more than the land in the neighbourhood of Odessa. As the wool from Odessa, Saxony, &c. could be brought in almost any quantity; its supply would be only limited by the demand. It already competes with our wool. The clip of the Duke of Richlieu and M. Pictet de Rochemont, of Geneva, from their large flocks near Odessa, was worked up by Mr. Gott, at Leeds, within the last two years, as the author was informed by M. Pictet. Before the increase of the population in the factories here contemplated could take place, the agricultural population must be dreadfully reduced. Our villages and rural farm-steads will make a gratifying appearance under this new system, as not above one house in twenty will be wanted for the shepherds, and not above a twentieth part of the labouring population. The labourers will starve upon cheap corn, and the farmers will become the shepherds.

* See a pamphlet on this subject by Edw. Chorley, Esq.; published by Sheardown, Doncaster.

Notwithstanding the unction about the happiness of future thousands and millions, in Sec. 55, the friends of the present laws think it as well to attend to the present generation: and it may be an object worthy of deliberation, whether it would not be desirable rather to discourage the increase of the factory population, in such towns as Birmingham and Manchester, than to encourage it.

The abuse into which the reviewer has permitted himself to be betrayed, in Sec. 56, only shows the weakness of his argument. The sophisms are all on the side of the reviewer.

As long as we require only a fourth or a fifth of our food from abroad, on the event of a deficient crop,* there can be little doubt that we shall be always able to meet the difficulty, by means of importation, our granaries, stopping the distilleries, &c.; but this is very different from what it would be, if we grew only one-fourth, and depended upon strangers for the remaining three-fourths. The arguments against protecting laws, which are urged in the Sections from 56, are all exceedingly good as long as one grand fact is kept out of sight, viz. our excessive taxation. But this fact renders all the reasoning false. Our manufacturers have hitherto beaten foreigners by the union of great capital, skill, machinery, &c. in opposition to the excessive and grinding taxes, necessary to support our expensive government, and pay the annuitant his thirty millions a year. If this thirty millions could be removed, the Corn Laws and all other restrictive laws might safely be removed; but if the restrictive laws were all taken off, and the taxes left as they are, the rent of the land, where any rent was paid, would be instantly transferred to the annuitants, and many of the manufacturers would be ruined.

In consequence of the late wars, &c. an artificial state of society has been created in this country, on the continuance of which the existence of millions of persons depends. In Sec. 63, you are in fact required, by withdrawing *protection from manufactures*, at once to destroy this artificial state, in compliance with a theory, without attending to the fact, that this must cause the destruction of millions of human beings.

In a natural state of society, Mr. Huskisson's theories are perfectly true; but he is most earnestly implored to consider well, whether the obliging this country to return to such a state, will not cost more in human misery, as well as in wealth, than the advantage is worth. For many reasons he has been very politic in beginning his changes by an attack on the laws relating to the silk

* See Appendix, No. 2.

trade; but for an equal number of reasons, if he succeed,* it will form an example proper for imitation in very few other instances. But I much fear that he will not succeed; but that, after having reduced to the lowest state of misery and distress an inconceivable number of unfortunate operatives, he will be obliged to retrace his steps.

The reviewer, Sec. 67, wonders that the continental powers do not refuse to supply us, when our corn rises to 70*s.* or upwards: the fact is, unless they be satisfied that they have enough for themselves, they always do refuse, and prohibit its export. If they have any to spare they have no objection to selling it to us, to take our high price for it; nor did they ever think of being offended with us for not buying it, as long as our own country could supply it to us, until they were put upon this by our new economists, if indeed they be offended.

In the latter part of Sec. 67, an attempt is made to frighten you with a prophecy, that encouraging agriculture and endeavouring to grow enough corn for our consumption will cause a famine. It is really unnecessary to attempt any reply to it.

In all former times, the man who made two blades of grass to grow where only one grew before, was held up to view as a public benefactor. Now all at once it is discovered, *by the gentlemen of Change Alley, the annuitants*, that so far from being a public benefactor, he has been a public enemy. The writer of this is obliged to confess, that he looks back with no pleasant sensations now, to the time when he received the large gold medal from the society of arts, by the hand of a royal duke, for the improvement of the waste moors upon his property. He then foolishly imagined, that when he was converting his personal into real property, to the benefit of his family, he was to all real useful purposes increasing the territory of his country, and benefiting mankind. Alas! he now finds, that when he received the gold medal, he only ought to have received a halter.

The arguments, in Sec. 68 and 69, may be true in the abstract, and applicable to a country nearly in similar circumstances with its neighbours. But that is not our case. Our fund rent or annuity is ten times as great as the fund rent of any other country. We pay dearer for our corn than we ought, in order that we may pay the public annuity.

It has been proved that the manufacturers pay no taxes, but charge them to the purchasers of their goods; therefore the argu-

* See Herald, Dec. 15th, 1825, for a petition of the silk manufacturers and and throwsters of Macclesfield to the privy council, against the admission of foreign wrought silks.

ments, in Sec. 70, about the burthens on other classes of producers, are evidently all unfounded, except with respect, perhaps, to those who make goods for foreigners. And here certainly is a difficulty to enable them to undersell foreigners in their own markets. This at first sight appears a difficulty; but it is so in appearance, not in reality. Nothing is more easy than to show how this is to be removed, provided there be an anxious desire to remove it.

In the four concluding Sections, from 70, it may be collected that these annuitant reviewers would not wish to ruin the landlords instantly, with all their farmers and dependant little tradesmen, and all their wives and children; therefore they will consent to a protecting duty of 10 per cent., which, if wheat be about six or seven shillings a bushel, will be about five or six shillings a quarter. They seem to think there is no tax but the tythe tax, Sec. 71. How absurd! Unwise as the tythe system is, it has, comparatively speaking, little to do with the question. They congratulate themselves that they have the minister on their side. For the reasons before given, there is much reason to fear that this is true: therefore, such of you as are landlords have good reason to be on the alert.

Besides all the other reasons which have been given against the great alteration of the Corn Laws, contemplated by the manufacturers and annuitants, there is yet one more, of a different kind, which the farming interest has a right to plead, and which cannot be refuted.

By the cash payment act, all fair rents were reduced at least *one-fourth*. At the same time, and by the same measure, the property of the annuitant was increased in about a similar proportion. By this proceeding a prodigious mass of misery and distress was produced; many persons being reduced by it to absolute ruin. In justification or excuse for this act, it was stated that the national faith was pledged to the annuitant, "that at peace a return to cash payments should take place." I do not here impugn that act, or the arguments by which it was justified: I offer no opinion upon them; but I maintain, that the plea of *national faith* which was used to justify the deduction of one-third or fourth from the property of the landlord, and farmer, to add to the income and saleable capital of the annuitant, ought equally to be open to the use of the landlord, to prevent another third or fourth from being taken from him, and added to the property of the same annuitant. This effect, *you* cannot deny, would be the immediate consequence of a repeal of the Corn Laws; for exactly as the price of corn is reduced, the value of the fixed annuity is increased. Innumerable are the families of the farmers and landlords, whose parents, on the faith of the existing laws, have

made arrangements by mortgage, jointure, settlements on younger children, &c. &c. of such a nature, that by the abolition of these laws, the totalruin of their descendants must be effected. Thousands of cases will be found, where the eldest sons of families must be ruined by paying the fortunes of their brothers and sisters. Every person under engagement to pay money, must, *in reality*, pay much more than what his contract specifies; and for endeavouring to prevent this effect, the landlords and farmers are branded for their *avarice*, and called robbers. Surely, gentlemen, if the plea of national faith be to justify the ruin of thousands of landlords, farmers, and their dependants, to add to the luxury of hundreds of annuitants, the same plea of national faith, when applicable, ought to be permitted to be as available, to prevent the ruin of landlords or tenants,—to prevent misery, as to create it. A tirade from the annuitants about starving manufacturers will not refute this argument. Allowing that the manufacturers for foreign consumption are in distress, which is an assertion requiring proof, a way for relieving them may be easily pointed out; but it is not right that one class of society should be relieved by a measure—a breach of national faith, which ruins a second, and at the same time enormously increases the wealth of a third.

The Corn Laws were not passed as temporary expedients, but as perpetual laws; nor was their repeal contemplated when they were passed. All the landed and farming interests in the kingdom have been settled upon the faith of these laws. The national faith is pledged for their continuance to the landlords and tenants, as much as ever it was to the annuitants, for a return to cash payments. Independent of the pleas of justice, humanity, and political expediency, which are all in favour of the landlords, they take their stand on the broad basis of *national faith*, and they challenge the annuitants and manufacturers to remove them from it; and until by fair argument they be removed, they call upon you for justice and protection.

There never was a clause in the acts of parliament creating the annuities, stating that at the peace a return to cash payments should take place. It was no part of the contract. But it will be said that it was stated in other acts; and though they did not make it a part of the bargain, yet it was fairly implied and understood. The same argument applies in a much stronger degree to the Corn Laws. It was not doubted that they were to be perpetual. The Bank restriction act was stated to be temporary, because it was intended to be so; the Corn Law was not stated to be temporary, because it was not intended to be so; and the statement in the one case, and the omission of such statement in the other, clearly shows

that it was not intended to be temporary, and justified the farmer in acting upon its presumed countenance.

The Edinburgh Review, treating of the West India planters, makes a comparison betwixt them and the landlords. He says:

"The parliament of England never entered into any contract of any description whatever with the planters. They passed certain acts regulating the colonial trade, in the same way as they passed acts in relation to any other branch of internal or external policy. *But it was not stipulated that these acts were to continue in force for any specified time.* Every one of them might have been repealed the year after it was enacted; and, in point of fact, many of them have been repealed and others very much modified, without any one ever presuming to say that a contract had been violated in doing so. What should we think, were the landlords to insist that the Corn Law of 1815 was to be viewed in the light of a contract with them, and that parliament was not entitled to repeal or modify that law, without previously compensating them for any loss they might sustain from its abandonment? Would not such a monstrous doctrine be scouted by every man of sense in the country? And yet it is not one whit more absurd than the doctrine of those who contend, that we are bound either to continue the colonial monopoly, or to pay the colonists for leave to abandon it. Opinions such as these are not only wholly destitute of any foundation in fact, but they are subversive of every principle of improvement. They would go to eternise the worst errors and absurdities, and are utterly inconsistent with all the ends and objects of government."—Edin. Rev. No. 84, p. 293. See also p. 300, line 23.

The whole argument here is a mass of the grossest sophistry. No one can deny that any of the acts alluded to, *might* have been repealed: what is there that the parliament *might* not do if it pleased? But if on the faith of the laws (though not stipulated for any limited time), a capital has been invested, the parliament has no moral right to abrogate those laws, by which such capital will be destroyed: and although the laws alluded to have been modified, it has never been the object of parliament to so modify them, as intentionally to destroy the capital, or even to *injure it or its possessors.* The same argument is strictly applicable to the landlords. It is said that the doctrine held by me is subversive of all improvement. The contrary is decisively the fact, and is well exemplified in the case of the author; for he certainly would never have improved his estate, for which he got the gold medal, if he had known that the Corn Laws were to be abolished, by which the money he laid out would be thrown away. Who will ever expend any money in improvements on land, or the establishment of manufactures, on the faith of an existing law, if it be

understood that the law is to be altered by Parliament *at its mere pleasure*, without any regard to the interests created on the faith of that same law. Moreover, the case of the planters differs essentially in several important particulars from that of the landlords and farmers, which renders the comparison useless.

In consequence of a motion of Sir John Sinclair, in the session of 1794-5, the House of Commons "*unanimously resolved, to promote the improvement of the waste and unproductive lands of the country, as a most essential public advantage.*" On the faith of that resolution, *unanimously* passed, the landlords have expended large sums in improving waste lands; and without the greatest breach of national faith it cannot be rescinded.

If the annuitant choose to say, that the Parliament has a right to abrogate the resolution, if it think it be expedient: 'Very well, reply the landlords; then let EXPEDIENCY be the rule:' and away go all Corn Laws and *public annuities* together. Sauce for a goose, is sauce for a gander. But whatever the fundholders may do, the landlords wish for no such sweeping measures; they only wish the fundholders to enjoy their bed of roses in quietness, and let them, the landlords, alone.

The landlords wish for no change. But if the annuitants, consisting of about 280,000 persons, will insist upon the EXPEDIENCY of a change, I hope you will consider long before you consent to sacrifice the EXISTENCE of the landlords, farmers and their dependant tradesmen and families, to the amount of millions of persons, in order to support the LUXURIES of about two hundred and eighty thousand annuitants.

It is well known that cheap bread is one of the cries by which the passions of a certain class, who seldom reason, have been excited, not only to raise a great clamour, but to proceed to acts of violence against others. This cry of cheap bread, the periodical press now endeavours to raise in every way in its power. And if its wishes may be judged of by its violence and abusive epithets, it does not seem to care how far it be carried.

An article in the Morning Chronicle, of Nov. 21st, speaking of the landlords, and holding them up to odium, ends with the following sentence: 'And the daring aim of an oligarchy, which, if not controlled by public opinion, may provoke the more reckless arm of popular vengeance.' If Mr. Perry had been alive, he would not have committed such an oversight, as to permit a sentence like this to find a place in his journal.

The unceasing attacks made in your House, by the annuitants and manufacturers, on the landlords, is attended with very great injury to that interest; and through that interest to the society at large. The landlords and farmers are kept in a continual fever. They know

not how to proceed in any of their concerns. They know not if they sow, who is to reap. All improvements are at an end. All the open unenclosed lands were fast improving into a high state of cultivation; farm houses and cottages were building, and a healthy and a hardy race fast rising, to supply the armies, or man the navies of their country. How different from the unfortunate inmates of the much boasted factories!! But all this is stopped; the common annual trifling repairs of the farms are scarcely executed; and the labouring poor in consequence are reduced, for want of work, to distress, though corn is now selling for a good and remunerating price. Human nature is human nature, in all classes, and farmers and their labourers are not exempt from its laws and its failings. A farmer says to his labourer, 'I will not expend a shilling till I see whether, by act of parliament, I am to be ruined or not. If you want work, you must go to the parish.' Every newspaper is full of the reproaches levelled at the landlords and farmers, for the miserable state of the labourers in agriculture, when these annuitant editors are themselves the primary cause of the distress, by the constant hopes and expectation which they indulge and declare, that you will be prevailed on to comply with their wishes, and carry into effect their *well-intentioned*, perhaps, though most mischievous, theories. Unfortunately, many members of your Houses have given them too much reason to indulge these hopes.

Crime is generally the produce of misery, vice of prosperity and abundance. This has lately been exemplified in the agricultural districts, which, it is said, have been more fertile in crime than the manufacturing towns; the towns, forsooth, where the inhabitants cannot any longer carry on their trade for want of cheap bread. Though the decrease of crime is not so striking a proof of their prosperity, as the increase of the towns, it is as really and as decisive a proof, and affords great reason to believe, that their complaints, "that they cannot carry on their trade unless bread be reduced, are unfounded." If the trade should continue *in the same distressed state*, as they call it, for the next fifteen or twenty years, as that in which it has been for the last six or seven, Yorkshire will possess the largest city in the world; for Leeds, Bradford, Halifax, and Huddersfield, will be all grown into one city.

The effects of this state of uncertainty are equally as pernicious to the landlords as to the tenants and labourers. Of course they cannot improve their estates; and if they for any reason wish to sell, they must sell at a very inferior price; nor can they grant leases upon them.

If a landlord wish to make a will, and settle his family affairs, he knows not how to proceed. If he provide for his younger children, by a charge on his land; if you adopt one line of conduct

(according as his will is made), his eldest son and family will be ruined; if you adopt another, his younger children have not that given them which is just and equitable. Under all these circumstances, it is surely not unreasonable to hope, that by a strong and decisive resolution, you will at once crush the hopes of these theorists, and set the matter at rest. Surely if the fundholders succeed in the House of Commons, the nobles of the realm will be found at their posts; and will extend their saving arm to protect the tenants of the soil, as well as their own families, from the cunning of the annuitants, or the equally pernicious ignorance and blindness of the manufacturers, who, by ruining their best customers, would end in ruining themselves.

It has been said before that a remedy might easily be pointed out for the difficulties of the manufacturers for foreign consumption. In consequence of the enormous annuity, every article used by the manufacturer is so heavily taxed, that it is said that he cannot sell his commodity so cheap as it is sold in France, and other countries. To remove this difficulty, the obvious course is to reduce the annuity: and this might be done by a direct tax upon all annuities; for the sake of argument, say, of 25 per cent. At the same time the import price of wheat should be reduced to fifty or fifty-five shillings a quarter; or one of the other measures adopted, which it is known would, in ordinary years, reduce its price in our markets to such sum as may be deemed proper: and the legal rate of interest should be reduced from five to four per cent., if any limitation be thought necessary. The tax of twenty-five per cent., upon thirty-two millions a year, will raise eight millions; and of course, eight millions of taxes should be immediately abated.

In order that a new market of thirty millions of persons may be opened to our manufacturers, the wine tax ought to be entirely abolished, as well as several others of a similar kind. To give fair play to our barley growers, the tax should be removed from malt and malt liquor. The taxes on the different kinds of poisons, called spirits, might remain as they are; they can never be too large.

It is evident that the annuitant would not lose, as at first he would imagine, a fourth part of his means of support: the fall in the price of wheat, and of every other article, joined to the abatement of the taxes, would amply compensate for the nominal reduction of his income.

This measure would immediately bring home almost all our absentees, who now reside for economy in foreign countries, and who spend there a sum of money inconceivably large.*

* If after this they continued to reside abroad, the tax on the funds would operate upon all such as are fundholders, as an absentee tax.

If this should be done, the complaints of the fundholders will no doubt be horrible; but they will be 'vox et præterea nihil:' and they will cease as soon as it is discovered, that in consequence of the abolition of the taxes, and the reduced price of every article of their consumption, they will be able to enjoy all the comforts of life to the full, as well as they did before. Indeed, probably after the first few months, better.

It is evident that the value of all the stock of tradesmen in hand will be reduced instantly: this will form their fair subscription towards the tax; and as under these circumstances, Mr. Huskisson will be able to remove many of the restrictions on foreign trade, in compliance with his new theories, if our tradesmen do not reduce the price of the stock they have in hand, they will be undersold by foreigners. This will compel them to do what is right.*

By this means, nearly all smuggling will be prevented, an effect very much to be desired.

If this be done immediately, great numbers of infant manufactures on the continent, and in North America, will be nipped in the bud. When they have got firmly established, their owners will be very unwilling to discontinue them, and will be desirous of protecting them by restrictive laws.

Some time ago, the ministers reduced the five and four per cent. annuities; this was a pitiful measure. The reason on which it was grounded was true special pleading. In estimating the tax of twenty-five per cent. on the annuity, this should be considered as part of it. The whole measure was cruel, unworthy of a large and enlightened policy; though certainly, by an *argumentum ad hominem* it may be defended. I would make some amends for this cruel act, by estimating it in the fund tax. It is a very unjust and indefensible thing, to reduce by legislative enactment, the incomes of one class and not of another, if it can possibly be avoided; nothing *in fact* could be more unjust, than to reduce the fives and fours, and leave the threes and other property untouched.

The annuitant pleads the *national faith*;—that it was expressly stipulated with him, that his annuity should always be paid clear of any deductions or out-payments whatever. 'Very well, say the landlords; in reply to you we make the same plea. But we wish for no change. We only wish the law to remain as it is. We call for

* It is a constant complaint, that the prices of all articles of domestic consumption are now nearly as high as they were during the war, before the import prices of the different kinds of grain or the taxes were reduced. This is true, and is caused by the combinations of the manufacturers, which they are enabled to carry on by the prohibitory laws on foreign manufactures. If the prohibitory laws were repealed, every combination would instantly die a natural death.

no tax upon you. It is you that call for a tax upon us; and a tax, the effect of which is to ruin us, at the same time that it doubles your annuity. The act for granting your annuity was simultaneous with the enacting of the Corn Laws. They stand precisely upon the same ground; only your annuity act was passed on the clearly understood terms, that the Corn Law was to continue, which being the regulator of the value of property, if it be altered, the value of your annuity is altered.'

Necessity is set up as a plea for this breach of faith with the landlord. Necessity is as imperious in its call upon the annuitant, and may be applied as justly to him as to the landlord.

The landlord would never have thought of asking for a Corn Law, had it not been for the contracts exacted from the necessities of government by the annuitant. Not content with being paid the usual interest, he exacted on repayment double.* As long as the annuitant kept annually making loans to the government, he was content that the Corn Law should continue; he had even no objection to the import price being raised. Having now few or no more loans to make, he wishes these laws to be abolished. The way in which he wishes the annuity to be almost doubled, by changing the value of money, (the necessary effect of the abolition of the Corn Law,) is perfectly in keeping with the saving knowledge exhibited by him in contracting, that nearly double should be paid to him on a redemption of the annuity. The prudent care of his own interest is as evident in one case, as in the other. In reply to his plea, that it was stipulated that no tax should be laid upon him, it is asked, How came he, after the property tax had been imposed, to continue his loans to government? If after the first income tax he had protested against it, and had refused to advance any more money, as he now does to Spain, he then might have pleaded this with some appearance of consistency: but the act of continuing to advance new loans, without making any new objections, proves, what he knew well enough, that there was no foundation for his clamour on that subject; and that the arguments used by Mr. Pitt on that occasion were founded in truth. And it may here be observed, that the contracts made by the officers of a government, however solemnly made, can never bind their successors, so that they shall not yield to the law of *imperious necessity*. If the very existence of a state should at any time depend upon the breach of a contract betwixt two members of it; are the annuitants prepared to say, that the contract must be completed, and the state destroyed? If the annuitants allege that it must be clearly shown that the consequence will follow before the contract be violated;

* See Appendix, No. 1.

'Very well, say the landlords: we say so too. Show us the consequence, and we say, the remedy, the violation of a contract, is with justice as applicable to you as to us. We relied on our Corn Law contract, as you relied on your fund contract, and state necessity cannot justify the violation of one more than the other.'

The tax (as it has perhaps improperly been called) upon the funds, stated in the proposed plan, is very different from a poor tax, or any other common tax, either parochial or otherwise. It is, in fact, as accompanied with the change in the Corn Law, &c. not a tax, but an alteration, effected in the nominal value of *all* the property in the kingdom; and if the price of corn be only reduced in its just proportion to the reduction of the annuity, the annuity is in reality not touched: and then the question resolves itself into one, not of principle, but of quantity. Will the annuitant deny that his annuity is doubled if the price of corn and every other article be reduced one half? By the reduction of taxes, and the change in the value of money, the public annuity has been increased one third at least since the peace. This may account for much of the luxury to be seen in London.

If you who are ministers succeed, by exerting the influence which every one knows is in your power, when you desire to carry a favourite measure, in passing an act so flagitiously unjust, as the abolition of the Corn Laws; what line of conduct do you expect the few remaining impoverished old landholders to adopt, in the event of another war? Do you expect they will be such egregious fools, as to forget the present confiscation, and be gulled by new TEMPORARY Corn Laws? Do you suppose they will be so blind as not to see that the temporary war rise will again be followed by a peace confiscation? Do you suppose that the new *fund landlords*, who will have bought the land of those who will be ruined, will not profit by what they will see has happened to the old ones?

Your difficulties betwixt the annuitants and landlords are great no doubt: but you are killing the golden egg-laying goose. Perhaps you will fear that, if you offend the annuitants by this act of justice, they will lend you no more money. They told Pitt so, when he charged them to the property tax; but they forgave him. And when they find that they have received no injury, they will forgive you.

Of course if the proposed alterations be made, either in the Corn Laws or the annuity, all the placemen and pensioners are ready greatly to reduce their salaries; the king and all the royal family, &c. There can be *no doubt*; so I say no more about it!!!

But I once more beg you to observe, that the landlords and farmers wish for no change. They are content with their property

as it is. It is only those who wish to take it from them who wish for a change.

With respect to the manufacturers, nothing can be alleged against them; and IF IT BE TRUE, as *they* say, that they cannot sell their manufactures in the foreign market, on account of the nominal difference in the value of money here and in foreign parts, they are deserving of every consideration. Their existence ought not to be sacrificed, because the annuitants exact the last penalty of the bond (like old Shylock), wrung from the necessity of the government,—*extorted* from the government in its distress. How far will the annuitant go? will he choose to see all the manufacturers and their wives and children starve, rather than adopt the proposed plan—a plan which it is proved cannot injure him, but in the execution of which he can only say that he fears some slight inconvenience? His plan, it has been shown (to say the least), *may* totally ruin all the landlords, farmers, and little tradesmen depending upon them. He must admit that the other plan here proposed, taken to its utmost extent, *cannot*, by any human possibility, injure him to the amount of one-fourth of his income; as he surely will not be hardy enough to say, that he will not be benefited by lowering the price of bread, and by taking off eight millions of taxes. But it has been proved that the plan of the annuitants certainly WILL, not *may*, ruin all the landlords, &c. Then, under all these circumstances, will you, my Lords and Gentlemen, permit the annuitants to plead the letter of the bond, to the ruin either of the landlords, &c. or the manufacturers? Will you see the farmers, the little tradesmen, the manufacturers, their wives and children starving, and the country converted into a desert, in order that the annuitant may have the whole penalty of his bond? But this is not a fair statement. It ought to be said; in order that he may be permitted to prevent a measure, absolutely essential to the good of the whole country, and no ways injurious to himself, to gratify a punctilious adherence to the letter against the spirit of his contract. It is repeated, against the spirit, because it has been shown that he will not be injured by the measure.

The manufacturers act very unwisely in joining the annuitants against the landlords. Good policy would assuredly point out to them to join the latter, to compel the annuitants to do what is right and expedient for the good of the whole community. An ignorance of the true bearing of the question can be the only excuse for their conduct; and it is probably the real reason of it, aided by the circumstance, that many of their leaders, on whose opinion they depend, are stock-holders, and know that their proposed plan would raise the stocks enormously, and enable them to buy the land for an old song.

In the proceeding here pointed out, it seems very possible to regulate the tax on the annuitant in proportion to the price at which grain is admitted, so as to reduce the nominal capital of each in the same proportion. And these two form the great leading interests of the country. It cannot be denied that if a reduction be made in the nominal value of *all* the property of a nation; in fact none are injured. Every class keeps its relative situation in society. But if the measure stop here, there is one class yet remaining, who will gain a very great and unfair advantage, and that is the class of persons living on the interest of money. This has already been reduced from 5 to 4 per cent.; so that they would experience no present inconvenience: but on the repayment of the principal the debtor ought to be allowed to make such deduction from the principal as the legislature should think right; a due and just regard being had to the reduction of the nominal value of the property of all the other classes. The same line of conduct ought to be adopted in all other cases, betwixt debtor and creditor; the same general rule would be applicable to all.

It is unnecessary to enlarge upon the manifold advantages which the execution of this plan would produce to the country. If all its parts were properly and simultaneously put in force, no human being would be injured by it.* The National Debt would be reduced one-fourth. The power of the sinking fund, if it were thought proper to continue it, would be greatly increased, at the same time that the hands of government would be strengthened in the event of another war, and the manufacturers would be able to afford their goods to foreigners at a reduced price.

If any arrangement should be thought necessary with regard to money owing to foreigners, it is of too small importance to be permitted to prevent a great national object; and would not be attended with any great difficulty. With respect to the plan here proposed, it may be observed, that it is totally independent of the arguments against the alteration of the Corn Law; and is only proposed, to meet the objection of the manufacturers, and to show that it may, if well founded, be met without the sweeping ruin proposed by them and the annuitants.

* Some years ago a pamphlet was published by a gentleman of the name of Mushet, which proved that by the depreciation of money, the annuitant was a great loser, and that he did not make up the loss until the year 1821. Very well: grant all this gentleman says, and take him on his own ground; the loss was then made up, the account was balanced; and of course every year since that time the change in the value of the money must have been putting large sums into the pocket of the annuitant. It is only named here that he may not set up any plea of previous loss and hardship by the depreciation.

I shall trouble you with but one more observation. It is very certain that if the Corn Law be abolished, or the price of corn very greatly reduced, by any legislative measure whatever, if I be correct in the effects which I contend will be the consequence, the mischief will be completed past all redemption; it can never be repaired. It will be impossible for you to retrace your steps. On the contrary, the plan which I recommend is perfectly simple in its machinery, and easy in its execution; and if it should be found to fail, or not answer expectation, it will be easy for you almost entirely to retrace your steps, and return nearly to your former situation. The deduction of one-fourth from the income of an annuitant, even in the worst case, could not be attended with ruin, like that which the contrary course would entail upon the farmers and landlords. I now conclude with the expression of a confident hope, that you will see clearly that it is your duty to protect the landlords, farmers, and the innumerable little tradesmen depending upon them, and that from the performance of this duty you will not be deterred or OVERAWED by the clamors or threats of any persons whatever.

GODFREY HIGGINS.

20, *Keppel Street, Russell Square,*

*25th January*, 1826.

# APPENDIX, No. I.

If the question at issue were simply between what is called the agricultural and the commercial interests, that is, if the question were, whether we should have rich landlords, and poor merchants and manufacturers, or rich merchants and manufacturers, and poor landlords, I should say, decidedly, that it was our interest to keep our landlords rich at the expense of the others. We know from experience, as well as from indisputable authority, that "wherever a man's treasure is, there will his heart be also." A landlord's treasure must be in England, and all his interests and affections must be bound up in her prosperity, however mistaken he may be in his views of what is conducive to that prosperity. A merchant's treasure is all over the world; he therefore does not give to England his undivided affections. "The little I know," said Lord Chatham, in his speech during the debate on the Falkland Islands, "has not served to raise my opinion of what is vulgarly called the monied interest; I mean that bloodsucker, that muckworm, which calls itself the friend of government, that pretends to serve this or that administration, and may be purchased on the same terms by any administration; that advances money to government, and takes especial care of its own emoluments." In our own days, Mr. Canning, a statesman, second only to Lord Chatham, says, "we well know that at this moment there is scarcely a power in Europe that is not collecting, from the capitalists of Great Britain, the sinews of war; there is scarcely a single power that does not look for resources to the exchequer of our exchange. We are all aware that our monied men lend indiscriminately to all parties, and those who are now 'the captains' captains, the true lords of Europe,' are furnishing arms to those who are contending against each other. Therefore let me not be told that I may look for security in the morality of our money lenders. No, no, let Ferdinand himself, to-morrow, show signs of strength, and a determination to fit out an armament, and the troops and fleets of Spain, raised by British capital, will sail from your ports to strangle infant liberty in South America. I defy you to prevent it, and I defy you to show any thing, in the morality of late pecuniary transactions, to insure you against such an event." Mr. Russell gives the same testimony in his Tour through Germany, vol. i. p. 52. "Frankfort," he says, "in consequence of her commercial relations, is so thoroughly under foreign influence, and so polluted by a mixture of all foreign manners, that her population can hardly be said to have a character of their own. Even the multifarious connexions with all ends of the earth, which have made her citizens, in a manner, citizens of the world, have unfitted them to be German citizens, for they judge of the happiness of mankind by the rate of exchange. Let no one hastily condemn the worthy citizens of Frankfort,

for thus forgetting, in the pursuits of the merchant and money speculator, the interest of their country; or at least before pronouncing his doom on their imagined selfishness, let him study the ports of London, or Liverpool, or Bristol, and discover, if he can, a purer foundation for English mercantile patriotism."

During the last war in Canada, the American and English armies were in sight of each other for a considerable time, and neither could move for want of money. The English general applied to the English merchants for some dollars, offering an enormous interest for the loan on the part of government. The merchants demanded a still higher interest: the aid-de-camp, afraid to agree without fresh orders, rode back to the general. While he was gone, the American general offered to the English merchants the interest they required, and he obtained the money. The American army was the first in motion to attack the English by means of the money obtained from English merchants. During the former part of the American war, it was very well known that English money was lent to the government of the United States to carry on the war with this country.

The ignorance of land-owners, and their want of liberal principles upon the subject of the Corn Laws, is a favourite theme of declamation in every assembly of "lean, unwashed artificers," from the common council of the city of London, down to the lowest town parish vestry. One man, who assumes to himself the character of being a great doctor in political economy, has had the infatuation to write, "let all the industrious classes combine against their great enemy the landholder. *The landholders conduce nothing to the prosperity of the country.* Nay, one of the most distinguished of our political economists, (Mr. Mill) alarmed at the increase of the share of the produce of the soil which falls to the owner, a share which grows with the numbers of the people, actually proposes *that the present rents should be fixed, and made a perpetual rent-charge on the lands, for the benefit of the owners of the soil; but that the state should be entitled to all future increase of rent, which should be applied to the benefit of the community.*" When such absurdities are gravely set forth, it cannot be a matter of surprise that the science of political economy, still in its infancy, should excite the alarms of the timid, and the ridicule of the wise. All sciences must have their satellites of empirics; and although the ignorant will draw from the latter arguments for suppressing the diffusion of knowledge altogether, the true remedy is only to be found in the wider inculcation of better principles. That the landlords have advocated a monopoly of corn is but too true; but before the "gentlemen in the commercial and manufacturing interest" presume to lecture them, it would be well if they would point out one instance, where they have given up a monopoly, in which they were themselves interested, until it was wrung from them. Have the common council of the city of London ever manifested the slightest disposition to abandon one point of their absurd and noxious privileges? Are the merchants, who have the management of the bank of England, willing to renounce their monopoly of unstamped promissory notes, for the engagements of which, neither their persons nor their properties are answerable? Did not all classes, connected with the East India Company, cling with inveterate obstinacy to their monopoly of the whole trade with Asia, in defiance of reason, justice, facts, and subsequent experience? Does not the whole West Indian body maintain the right of the planters to the monopoly of sugar, and to be legalised traders in human blood? Did not every class of manufacturers assail the ministers this last year with petitions, that freedom of trade might not be extended to the commodities with which they were concerned? If these facts be

so, (and they are matter of undeniable notoriety,) it is not to be wondered at that the landlords feel indignant at the false pretences to liberality advanced by the merchants and manufacturers on the subject of the corn trade; since it is perfectly obvious that, whether liberal or illiberal, just or unjust, wise or unwise, beneficial or pernicious, to the country at large, it is their own personal advantage alone which instigates their complaints. A loan-contractor, a stock-jobber, a merchant, or a manufacturer, can transport himself any where, and be as much at home in one country as in another. Not so the landlord, and those employed in the cultivation of the land. It is in these only, therefore, that the permanent strength of the country resides; and it is to these only that the honour of the country can with safety be confided; and consequently of all the classes of the British community this is the last whose interests ought to be lightly sacrificed for the advantage of the rest.

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# APPENDIX, No. II.

The annuitant in his letter to G. H. Sumner, Esq. printed for Ridgway, 1825, from which the preceding extract No. I. is taken, informs us that the grain grown and consumed in the United Kingdom is estimated at forty millions of quarters. Well, this is very good! We now shall come at something tangible, on the unquestionable united authority of this great annuitant, and the Edinburgh Encyclopedia Brit. The Edinburgh Review, No. LXXXI. p. 62, note, tells us, that wheat on an average of eight places, weighs above 56lbs. a bushel, Winchester; therefore if the crop be deficient one-fourth, or ten millions, we shall want at least two million tons of shipping to supply us from foreign countries. But as all grain will not weigh so much as wheat, we will strike off a fourth; then we shall want one million and a quarter of tons.

This great annuitant also tells us, we are in the United Kingdom twenty millions of people. Now we will suppose each eats two pounds a day: that will give a year 6,517,857 tons. The soldiers are allowed one pound of bread and three quarters of a pound of meat; therefore for this and other reasons, we will take from this a third, and then we shall have 4,000,000 tons; and if we are deficient one-fourth we shall require a million tons of shipping. But if we follow the advice of these good economists, and by ruining our farms contrive to grow only one-fourth, and want three-fourths, then three million tons of shipping ONLY will be wanted. I hope his majesty will be prepared to resign his fleet on Virginia water; surely every cockboat will be wanted. The pleasure boats in your parks will all be wanted.

# APPENDIX, No. III.

**"The following is the report of the prices of wheat in several foreign ports, published by order of the House of Commons, and signed by the British residents, for the year 1824.**

| | s. | d. |
|---|---|---|
| Dantzig | 20 | 0½ |
| Embden | 17 | 0 |
| Hamburg | 20 | 0¾ |
| Amsterdam | 21 | 2 |
| Antwerp | 27 | 11 |
| Palermo | 16 | 5¾ |
| Rotterdam | 24 | 0 |

**[It is to be observed that the quality of the Dantzig wheat is very superior to any in the London market, in a degree (according to some)** ***equal to the cost of freight.***]

**"Perhaps Mr. Whitmore will show how a duty of twelve shillings, or of twenty-four, will protect us against such prices."**

***Letter to Mr. Huskisson, published by Ridgway,*** **1825.**

[Reprinted from the Westminster Review, No. VI.]

*A Letter on the Present State and Future Prospects of Agriculture. Addressed to the Agriculturists of the County of Salop.* By W. W. Whitmore, Esq. M. P. Second Edition, with some Additions. Hatchard and Son. 1823. pp. 111.

*Observations on the Existing Corn Laws*, By John Hays. London: Richardson. 1824.

1. If the task of the philosopher and of the philanthropist were at an end, when the great truths which he teaches have been once demonstrated, and their bearings upon the great interests of mankind once pointed out, it might appear superfluous to return, at the present day, to so hackneyed a subject as the impolicy of our Corn Laws; for, after the thorough sifting which this question has repeatedly undergone, and particularly after the very able manner in which it has so frequently been handled in the Edinburgh Review, it would be vain for us to hope that we could add any thing to what is known on the subject; and we can scarcely aspire even to the humbler praise of presenting in a new light that which is already known. We shall not, however, be deterred from calling the attention of the public once more to so important a subject, because it may be that we shall say nothing which they have heard before. It is not enough that they should be made to think on the subject; they must be made to think of it continually; there must be "line upon line, and precept upon precept;" and it will then be time to think that enough has been said, when that which *has* been said shall have begun to be acted upon. We are far, indeed, from supposing, that among the enlightened and thinking part of the public, there are, or will ever be hereafter, two opinions on the question: and if we now revert to the subject, it is not with any hope of rendering *their* conviction stronger than it is, but because, in order to triumph over the prejudices of the interested and the ignorant, it is necessary that those who are without prejudice should proclaim their opinions with a loudness and perseverance which may overawe those whom they cannot hope to convince.

2. There is one part of the argument, however, which, at this time of day, we hope and believe that we may safely omit. It will scarcely, we imagine, be any longer deemed necessary to demonstrate the beneficial tendency of free trade in general, or to prove that it is for the interest of a nation to purchase its commodities where they are cheap, and not where they are dear. Self-evident as this proposition may appear, it is one of the most modern of all modern discoveries, and has had to make its way against all the resistance which strong interests and still stronger prejudices could oppose to it. It *has* made its way, however; and has penetrated even to the cabinets of ministers, usually

the last retreat of thread-bare and discarded errors. And, unless the honorable member for Sussex be an exception,* we are not aware that there is now any one who stands up for the principle of monopoly in the abstract, or maintains that a nation can grow rich by paying a high price for its goods. It is something gained for enlightened principles, that every one should acknowledge freedom to be the general rule, though almost every one should make an exception in his own favour.

3. Two things, therefore, may be assumed; that it is desirable that commodities should be cheap; and that the sure way to have them cheapest, is to let the public buy them wherever they please. It may likewise be assumed, that the effect of the Corn Laws is, to make corn dear; since this is the sole purpose for which they exist, and is necessarily implied in every defence which can be set up for them. It remains to be considered, what reason there is why that which would be an evil in the case of any other commodities, should, in the case of corn, be regarded as a good; or, if it be an evil, by what preponderant benefit the evil is compensated.

4. It is compensated by that which, in the eyes of the landlords, is a benefit far outweighing the evil to the community—high rents. That whatever raises the average price of corn, raises rent, is a proposition so conformable to ordinary ideas, that we are under no inducement to spend much time in proving it. A rise in the price of corn must evidently redound to the benefit either of the farmer or of the landlord. But the farmer is effectually prevented, by the competition of other capitalists, from obtaining more than the ordinary profits of stock. The benefit, therefore, of the increase of price can belong to nobody but the landlord. Or, more shortly, rent is all that portion of the produce of the soil which remains after replacing the capital expended, together with the ordinary profit: and this surplus must obviously be greater when corn is dear (the quantity of corn being the same) than when it is cheap.

5. So far, then, the question, between the people on the one side and the landlords on the other, would appear to be this—whether it is better that the landlords should submit to a reduction of rent, or that the whole people of Great Britain should pay a high price for their corn; whether, in short, the landlords can make out a case for taxing the community to put money in their pockets? And this, as being the aspect of the question most favorable to the landlords, is that which we shall first consider.

6. The language which we usually hear from the landlords on this question is not remarkably definite or precise, and presents little that

* See Morning Chronicle for May 22d, 1824.—"To this measure" (the bill for permitting the exportation of wool), "and in the consequences it was calculated to produce, he (Mr. Curteis) saw the first fruits of the new philosophy of free trade, at the shrine of which they were all called upon to bow down and worship, but to which he was determined to offer no incense."

is tangible in the form of a reason why their interest should be preferred to that of the public at large. Instead of proving (what their language implies) that rich landlords are more conducive to the happiness of the community than cheap corn, they talk vaguely about the necessity of protecting agriculture: thus endeavoring to make the public forget that this idol called agriculture, when narrowly inspected, proves to be no other than themselves. This artifice of identifying themselves with an abstract term is not without example. When the Roman Catholic priesthood attempted to establish their supremacy over the civil power, they said it was for the good of religion: it was for the good of nobody but themselves. If Ferdinand the 7th is to be believed, it is for the sake of social order that he is now laboring to clear his country of all the educated part of its inhabitants: and indeed so it is in his sense of the word, which makes social order synonymous with his own despotism. It might, perhaps, be admitted, that the Corn Laws are beneficial to the landlords; but in what sense they can be said to be beneficial to agriculture, unless the landlords be agriculture, it is not easy to see. The artifice, however, is not without its use: "Protect agriculture," has a better sound than "Give me your purse:" and many a man will readily do for the "protection of agriculture," that which he would have hesitated to do for the mere purpose of enriching the landlords.

7. There is a fallacy involved in the phrase "protection to agriculture," which it is of the utmost importance that the public should fully understand. Under the words, "agriculture," and "agricultural interest," are included not only the landlords, but the farmers, a class whose gains are of an entirely different nature from those of the landlords, and are governed by different laws. The exclusion of foreign corn may be, and probably is, beneficial to the landlords, though, we think, not to so great an extent as has been supposed. But so far is it from being beneficial to the farmers, that there is no class to whom it is more, and few to whom it is equally, injurious. Not only is the interest of the farmers not the same with that of the landlords, but no two interests are more diametrically opposite.

8. There is no fact in political economy better established than the tendency of every tax on the necessaries of life, to produce a rise of wages. We do not mean that it adds any thing to the comforts and enjoyments of the laborer; on the contrary, its ultimate effect is almost infallibly to diminish them, since by reducing the rate of profit, it retards the accumulation of capital, on which the demand for labor wholly depends. The laborer, however, is not benefited, and the capitalist is injured; the laborer continues to receive the same quantity of commodities, or, as it has been sometimes called, the same *real wages* as before; for the tax, though it affects the future accumulation of capital, does not alter its present amount, and it is upon the present amount of capital (as compared with population), and not upon its future accumulation, that wages depend. While, however, the laborer continues to receive the same quantity of necessaries as

before, corn (the most important of those commodities) has risen in value. He must, therefore, receive a greater *value*, in order to command the same quantity: his money wages must rise. The manufacturers and other capitalists are thus compelled to give a greater value to their laborers, without having a greater value for themselves. They are, therefore, obliged to forego a portion of their profits. And thus we see that a high price of corn, which is a cause of high rent, is a cause of low profits. It is as prejudicial to the capitalist as it is beneficial to the landlord.

9. The farmer, however, is a capitalist, and his gains cannot be permanently greater than those of other capitalists. Unless during the currency of a lease, he has no interest whatever in high prices, because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high when a great value is given to the laborers.

10. A high price of corn, therefore, not only is not beneficial to the farmer as such, but it is positively injurious to him. He is injured in two ways: first, as a consumer of corn, in common with the rest of the community, by having to consume a dear instead of a cheap commodity; and, secondly, he is injured, in a still greater degree, as an owner of capital, by being compelled to give higher wages to all the laborers whom he employs.

11. Having proved the Corn Laws to be injurious to all the rest of the community, and beneficial to the landlord alone, we might here close our remarks, since this alone, had we nothing else to urge, is of itself sufficient to decide the question. For if, in any case, the principle could be admitted of taxing the whole community for the benefit of a particular class, the landlords assuredly are not that class. To the public, collectively speaking, it is of very little consequence whether rent be high or low. But it is of the greatest importance to the public in general, that profits should be high. Profits are the reward of the industrious—rent, of the idle. It is the rate of profits which constitutes the inducement to accumulation, and, whatever be the advantage of a rapid accumulation, the advantage of high profits is the same. But it is on the accumulation of capital that the advancement of the national wealth is wholly dependant. A policy, therefore, which consists in lowering profits for the purpose of raising rents, must be, at best, of very doubtful expediency.

12. If, however, there were nothing in the whole process but a transfer; if whatever is lost by the consumer and by the capitalist were gained by the landlord; there might be robbery, but there would not be waste; there might be a worse distribution of the national wealth, but there would be no positive diminution of its aggregate amount. The evil of the Corn Laws admits not even of this alleviation: they occasion in all cases an absolute loss, greatly exceeding the gain which can be derived from them by the receivers of rent; and for every pound which finds its way into the pockets of the land-

lords, in consequence of the Corn Laws, the community is robbed of several.

13. Rent, it must be remembered, is only a part of the total produce of the soil, on many lands only a small part. There are some lands which yield no rent; there are many which yield very little; and even on the best of all, the rent, probably, does not greatly exceed one half of the produce.

14. Now, without disputing that it is the effect of the Corn Laws to give to the landlord a greater quantity of corn, as well as to enhance its value, it must be remembered that all which he receives is still no more than a part; another part is appropriated to the payment of laborers, a third to the maintenance of agricultural cattle and the purchase and repair of instruments of husbandry, a fourth is reserved for seed, and a fifth belongs to the capitalist as his profit. The increase in the cost of the production of corn, which is the consequence of the Corn Laws, operates to the benefit of the landlord only in so far as it goes to enhance the value of that portion of the produce which he receives as rent. Could all the rest of the produce retain its former value, and that portion alone rise which is paid to the landlord, the gain to him would exactly equal the loss to the rest of the community. While, however, it is only from the rise in the value of a *portion* of the produce, that the landlord derives any benefit, it is necessary, in order to the rise of that portion, that the *whole* should rise. It is necessary that an increased price should be paid, not only for that portion of the produce which goes to the payment of rent, but also for that far greater portion which goes to replace the capital, and pay the profits, of the farmer.

15. The able author of the article "Corn Laws and Trade," in the Supplement to the Encyclopædia Britannica, estimates the total rent of all the land in the country, compared with the total produce, at one-fifth. Let us make a liberal concession to our antagonists, and take it at one-third. In order then that the landlord may obtain an extra price for a single third of the produce; the purchasers, not only of that third, but of the other two-thirds, are compelled to pay that extra price for every quarter of corn which they consume!

16. What, then, it may be asked, becomes of the extra price, which is paid by the consumers of the two-thirds? It does not go to the laborer; for though he receives a greater value, his condition not only is not improved, but, in most cases, it is ultimately deteriorated. It does not go to the farmer; for he, as we have seen, instead of gaining any thing, suffers, in two ways; as a consumer of corn, and as a payer of wages. What, then, becomes of it? We answer, it is entirely swallowed up in the increased expenses of cultivation. By the effect of the Corn Laws, a portion of the labor and capital of the country is diverted out of a more into a less advantageous employment: a quantity of labor is employed in growing corn, which would otherwise have produced, not only cloth, or hardware, sufficient to purchase the same quantity of corn in the foreign market, but much more. That corn which could be obtained abroad, in exchange for the produce of

the labor of 100 men, is compelled to be produced at home, by that of 120, 130, or 140; the labor of 20, 30, or 40 men in every 100 is expended in pure waste, and all which they might have produced is entirely lost to the community. The consumer is taxed, not only to give a higher rent to the landlord, but to indemnify the farmer for producing, at a great expense, that corn which might be obtained from abroad at a comparatively small one.

17. If the landlords were to require, that the whole people of Great Britain should contribute a certain sum annually in direct taxes for their benefit, who is there that would not raise his voice against so impudent a demand? Yet this would surely be a much more modest request, than that, in order to put a certain annual number of pounds sterling in their pockets, the people of Great Britain should consent to pay three, four, or five times as many.

18. We seriously propose, therefore, as a great improvement on the present system, that this indirect tax should be commuted for a direct one; which, if it still gave an undue advantage to the landlords, would, at least, give them this advantage at a smaller cost to the public: or that the landlords should make an estimate of their probable losses from the repeal of the Corn Laws, and found upon it a claim to compensation. Some, indeed, may question how far they who, for their own emolument, imposed one of the worst of taxes upon their countrymen, are entitled to compensation for renouncing advantages which they never ought to have enjoyed. It would be better, however, to have a repeal of the Corn Laws, even clogged by a compensation, than not to have it at all; and if this were our only alternative, no one could complain of a change, by which, though an enormous amount of evil would be prevented, no one would lose.

19. We have hitherto taken it for granted, that the effect of the Corn Laws is, to force the cultivation of inferior soils; and that, therefore, if those laws were repealed, we should become a regularly importing country, our lowest soils would be thrown out of cultivation, and the cost of production, and consequently, the average price, would be lowered. We have assumed this, because we believe it to be true; although the contrary opinion is maintained in a very able article in the eighty-first number of the Edinburgh Review.

20. Though it were conceded to the Edinburgh Reviewer, that if the ports were constantly open, the average price of wheat would not fall short of 60*s.* per quarter; arguments enough would remain, to prove the mischievousness of the Corn Laws, and the necessity of their repeal; a measure which, in that case, no one would have more reason for promoting than the landlords, since they would gain all the advantage of a steady price, without incurring the disadvantage of a low one. Great, however, as the benefit to the community would be, even though the average price of corn should remain unchanged; we are convinced that this is not the whole of the benefit of which the repeal of the Corn Laws would be productive, and that the price would not be steadier only, but lower, under a free trade.

21. It is admitted by the Edinburgh Reviewer, that when there is

no direct foreign demand, a quarter of wheat can, in ordinary years, be put on ship-board at Dantzic for 35*s.*; and that allowing 8*s.* per quarter for the expenses of freighting, warehousing, &c. the price to the importer would be about 43*s.* They suppose, however, that a regular demand from this country would raise the ordinary price in the Dantzic market, from 35*s.* to 50*s.*, which, together with the freight and other expenses, would give in this country, a price of about 58*s.* per quarter.

22. The assumption, that a regular demand from this country would permanently raise the price at Dantzic from 35*s.* to 50*s.*, is wholly founded upon the evidence of Mr. Solly, before the Agricultural Committee of 1821. This gentleman's evidence is a strange mixture of hypothesis and fact. For matters of fact, coming within the compass of his experience, Mr. Solly's evidence may be as good as any other; and we have the less reason to doubt the credibility of his testimony, as it is entirely in accordance with the most authentic information which we have been able to procure from other sources. But the rise in price which is expected to be the consequence of a regular exportation, is plainly not a fact, but an inference. The same person may deserve great credit for his facts, and very little for his inferences; and, at any rate, no man's inferences are entitled to be received, like matters of fact, upon his authority. How far Mr. Solly is qualified to draw correct inferences on subjects similar to the present, the following extract from his evidence may help us to judge.

23. "If the English ports were open for the free importation of corn, at this moment, what rise do you think would take place in the price of wheat in the Prussian ports? I should think about 15*s.*

24. "Which would make the price in the Prussian ports how much? On board; 50*s.* for the best wheat; they would make their calculation on obtaining 60*s.* here for it."

25. We can easily conceive, that a sudden demand, before there is time to raise a corresponding supply, may raise the price at Dantzic 15*s.* per quarter, or much more; but what follows?

26. "Supposing the ports to be *constantly* open for the free importation of corn, do you think the price abroad, on the average, would be above or below 60*s.* in the Prussian ports? *It would be regulated by the price in England.*

27. "What is your opinion of the effect which the demand under such circumstances would have upon the price in those ports? I think that the price would rise about 15*s.* as already mentioned.

28. "Although the demand should be permanent? *Even then, the price would be regulated by the price here.*"

29. This is true of the *market* price, but certainly not true of the *average*. The market price at any given moment in Poland, would doubtless be regulated by the market price in this country, because it is the price here which, by determining the exportation, would regulate the supply in the market of Poland itself; but to suppose that the *average price* in Poland—which is of most consequence to the producer—would be regulated by the price here, or by any thing what-

ever except the cost of production, implies an ignorance of the most obvious principles of political economy. On the average, and making abstraction from the temporary fluctuations of the market, it is the price in Poland which would regulate the price here, not the price here which would regulate the price in Poland. The average price in Poland, with the expenses of importation, and the profits of the importer, would determine the average price at which wheat could be sold in the English market. The mere unsupported conjecture of one who is ignorant of this very obvious truth, is a very slight foundation for such a conclusion as the Edinburgh Reviewer has founded upon it.

80. Before it can be admitted, that the repeal of our Corn Laws would raise the average price of wheat at Dantzic from 35*s.* to 50*s.*, it is necessary for Mr. Solly to prove, that the cost of production would be increased in that proportion. The only cause (taxation apart) which can raise the cost of production, is the necessity of cultivating inferior lands, or of applying capital with diminished return to those which are already in cultivation. And on this, as a necessary effect of an increase of demand, Mr. Solly lays great stress. "They want their land," he says, "for the cultivation of corn, for cattle, and fuel for their own inhabitants. They have in Prussia about eleven millions of inhabitants; and it contains sixty-seven millions of English acres, or five thousand square miles; and they require almost all the arable land to grow corn for their own inhabitants; the principal corn that is grown and consumed, is rye; and I question, if they had to supply England with wheat corn, it would be in their power; they have not the soil, and I do not think they would be able to increase the quantity of wheat to any great amount in Prussia."

81. This he afterwards accounts for, from the nature of the soil, which he states to be for the most party sandy, and unfit for wheat. That this may be the case in those districts of Prussia with which Mr. Solly is acquainted, we have no reason to doubt: that it is not the case in the great corn districts of Poland, we have the best possible authority for asserting. All competent witnesses agree in declaring, that so far from needing all their arable land to raise corn for their own consumption, the Polish cultivators have been reduced to the extremity of distress in the last few years, by the cessation of foreign demand. We are informed by Mr. Behrend, of the house of Ahlmonde and Behrend, great corn merchants at Dantzic, that fully one-third of the fertile corn lands are entirely waste; that great tracts of land, admirably fitted for wheat, have been thrown into pasture, merely for want of a market, and that great quantities of corn are consumed by cattle, and in various other ways among the cultivators themselves, which, on the opening of our ports, would be brought to market immediately. So great an effect does Mr. Behrend ascribe to this last circumstance, that Poland, in his opinion, could export three times as much wheat as at present, without raising one bushel more than is already produced (it is true, that her exports have of late years been comparatively small); and if to this we

add the great quantity of wheat which could be raised on the excellent lands which are now in pasturage, or entirely waste. Mr. Behrend is of opinion, that Poland could supply this country with from 200,000 to 300,000 quarters of wheat, without any material advance of price, beyond that which is a remunerating price to the Polish cultivator at present, viz. 35*s.* in the greater part of Poland, and 38*s.* in Volkynia, from which province the best Polish wheat is chiefly drawn.* Now, if it be considered from how large a surface we should draw our foreign supplies, if we became a regularly importing country, it can hardly be supposed that we should, in ordinary years, import from Poland a greater quantity than 200,000 or 300,000 quarters; say 400,000, and suppose the last 100,000 to raise the price from 35*s.* or 38*s.* to 40*s.*, or even 42*s.*, which is an ample allowance; adding 8*s.* for freight and other expenses, this will give 50*s.* for the probable average price of wheat in this country, if importation were permitted at all times, duty free.

32. With regard to Odessa, the facts adduced by the reviewer are singularly scanty. The following passage contains all that he says on the subject:—

33. "The prices of wheat at the market of Odessa, on the Black Sea, the only port † in Southern Europe from which any considerable supplies of wheat can be obtained, are extremely fluctuating and various. In 1821, the price of wheat at Odessa amounted, according to Mr. Tooke, to about 30*s.* a quarter; and we are informed, by the same excellent authority, that the charges necessarily attending the importation of wheat from Odessa to London, would not fall short of 22*s.* 6*d.* a quarter. [Report, p. 226.] It must be further kept in view, that if the average price of English wheat was 60*s.*, Odessa wheat would not, on account of its inferior quality, be worth above 48*s.*, or, at most, 50*s.*; so that it would be impossible to bring Odessa wheat into competition with English wheat worth 60*s.*, unless its prime cost was rather below 27*s.*, which is very rarely, if ever, the case, with such qualities as are fit for exportation."—p. 61.

* In corroboration of Mr. Behrend's opinion, and in contradiction to Mr. Solly's assertion, that there is comparatively little land fitted for wheat in Poland, we extract the following passage from the conclusion of Mr. Jacob's evidence: "Are you of opinion, that if the price of corn did rise materially in Poland, there is a very great extent of country there, which might be made to produce very good corn, if they had a more encouraging price for it?—Yes; and if they had a capital.—Would they not be tempted to bring that which is now under cultivation for rye, under cultivation for wheat?—Probably they might."—*Report*, p. 376.

† Odessa is the only port in Southern Europe from which a considerable supply of wheat can be at present obtained. It is impossible to say, however, to what extent corn might be supplied from the countries adjoining the Mediterranean, were any tolerable government introduced into those countries. Sicily, Egypt, Asia Minor, and the African coast, were once the granaries of the world; and might be so again, under any government which would but afford tolerable security to person and property.

34. It appears, however, from Mr. Tooke's evidence, that the price, at the time of which he spoke, was unusually high, there being a great demand for exportation, and the supply being deficient. The fact is, that whatever may have been the price at the period to which Mr. Tooke's evidence referred (April 1821), the average price of the whole year did not exceed 25*s*.

35. We have received from the best mercantile authority at Odessa, a table of the average prices of hard and soft wheat in that market, for almost every week, from the beginning of 1817 to the end of 1824. From this statement, estimating the rouble at 9¾*d*., and reckoning 100 chetwerts as equivalent (which is nearly the fact) to 70¼ quarters, we have extracted the following table of the average prices of average Odessa wheat in sterling money for the last eight years:—

| Years. | *s.* | *d.* |
|---|---|---|
| 1817 | 37 | 3¾ |
| 1818 | 26 | 10¾ |
| 1819 | 17 | 1 |
| 1820 | 18 | 6 |
| 1821 | 24 | 10½ |
| 1822 | 22 | 6¾ |
| 1823 | 16 | 7¼ |
| 1824 | 15 | 0¼ |

The average of these eight years is 22*s*. 4½*d*. Allowing 22*s*. 6*d*. for freight and other expenses attendant on importation, the price at which Odessa wheat, of average quality, could be sold in Mark-lane, will appear to be rather below 45*s*. Odessa wheat being inferior to English wheat by about one-sixth, it may be concluded from the authentic statements which we have given, that Odessa wheat would come into competition with English wheat whenever the latter sold at a higher price than from 53*s*. to 54s. per quarter.

36. It may be well to add, that whatever foundation there might be for the supposition, that an increase of exportation would permanently raise the price of wheat in Poland; on the side of Odessa, at least, such an apprehension is chimerical. There are vast tracts of fertile land in the Ukraine, Podolia, and the countries adjoining the Crimea, at present uncultivated, or in pasturage; and from which corn might be supplied, perhaps for centuries, at the same low price at which it is now supplied from Odessa. We are even informed by the gentleman to whom we have before alluded, that, in the neighbourhood of Odessa itself, so great is the abundance of fertile soil that the same piece of land is rarely cultivated for more than two or three years together. When one piece of land is exhausted, the cultivators withdraw to another, as was the case among the Germans of old, and as we know to be the case at this day, in the back settlements of North America.

37. With regard to New York, the reviewer has given us the prices by which the value of the wheat exported has been calculated at the treasury department for five years, the greater number of which,

if these prices be correct, were years of unusually high price, and which give an average that even he would admit to be far too high. We know not what degree of reliance is to be placed upon the calculations on which these statements are founded; if they are as inaccurate as the official valuations at our Custom-house, there cannot be a worse authority.

38. We have received from a great commercial house at Liverpool the following statement, extracted from the New York prices current, of the average price of wheat at New York, from 1820 to 1824 inclusive:—

| Year. | Price in Cents per Winchester Bushel. |
|---|---|
| 1820 | 87 |
| 1821 | 100 |
| 1822 | 131 |
| 1823 | 130 |
| 1824 | 110 |

The average of these five years gives 38s. per quarter.* Omitting 1820, a year of extraordinary depression, the average of the last four years gives 40s. per quarter, for the price of wheat at New York, the dearest port in the Union. In Virginia and Maryland wheat is usually from 16 to 20 cents per bushel, or about 6s. per quarter lower than at New York. To the price at the latter port, add 12s. or 14s., the expense (as estimated by the reviewer) of importation, and from 52s. to 54s. will appear to be the average price at which wheat imported from New York could be sold in Mark-lane. In this case no deduction is to be made for difference in quality, average American being fully equal to average English wheat.†

39. Besides, America exports flour as well as corn, and the carriage of the less bulky commodity being so much less expensive, it is probable that American flour would come into competition with English flour, at a much lower comparative price than American corn.‡

40. But the facts which we shall now adduce, with regard to the price of wheat at Rotterdam, from 1815 to 1824 inclusive, are perfectly decisive. Holland, as is well known, has long been in the habit of importing a very great proportion of the corn which she consumes. She draws her supplies from a very wide surface; she is at nearly the same distance as Great Britain from the principal

* During these five years the dollar has gradually sunk in value from 4*s.* 6*d.* to 4*s.* 1*d.* or 4*s.* 2*d.* sterling. We have made our calculations at the rate of 4*s.* 8*d.*, being that assumed by the reviewer.

† See the Edinburgh Reviewer himself, note to p. 62.

‡ When the immense line of country on the banks of the Mississippi River comes to be in full cultivation, it may be expected, from the amazing fertility of its soil, and the facilities of water carriage which it enjoys, that it may be able to supply the western countries of Europe with corn at a much lower price than it is possible to calculate upon at present.

exporting countries; and there is, therefore, no reason why we should not obtain corn from those countries at the same price as she does. The following table of the average prices of wheat at Rotterdam for the last ten years is derived from the very highest mercantile authority:—

| Years. | Price in Guilders per Last of 86 Winchester Bushels. |
|---|---|
| 1815 | 257 |
| 1816 | 390 |
| 1817 | 574 |
| 1818 | 396 |
| 1819 | 284 |
| 1820 | 235 |
| 1821 | 221 |
| 1822 | 193 |
| 1823 | 197 |
| 1824 | 147 |

These prices, being reduced to sterling money at the average rates of exchange for the several years, give the following as the average prices, per Winchester quarter, for those years:—

| Years. | Price per Quarter, s. | d. |
|---|---|---|
| 1815 | 47 | 8¼ |
| 1816 | 60 | 11½ |
| 1817 | 93 | 0¾* |
| 1818 | 66 | 8 |
| 1819 | 46 | 6½ |
| 1820 | 36 | 10½ |
| 1821 | 33 | 5 |
| 1822 | 29 | 9¼ |
| 1823 | 30 | 3 |
| 1824 | 32 | 10¼ |

The average of the ten years is 47s. 9¾d.

41. It is true that, in these ten years, there were several seasons of very general abundance. It will be observed, however, that there were two years (1816 and 1817) of very general deficiency. In 1815, before the scarcity began, and in 1819, between the end of the scarcity and the beginning of the glut, the price seems to have very nearly approximated to the average that we have assigned; and this

* These fluctuations are greater than could have been anticipated in a country which, at the period referred to, enjoyed almost a free trade in corn: but it must be remembered that, in the years of greatest elevation (1817 and 1818), the price had been artificially raised by our great importations, which carried off a portion of that grain which had been produced for other markets.

circumstance adds to the presumption, that the average of these ten years is a fair criterion of the ordinary price.

42. The advocates of the opinion which we are combating lay great stress upon the circumstance, that the returns of average prices include all qualities of wheat, and not the best qualities only; forgetting that since it is *average* English wheat, and not the best English wheat alone, which is our standard of comparison, it would be unfair to ground our calculations on the price, in the Dutch market, of any description of wheat which is of higher quality than average English wheat. It is not with Holland as it is with Odessa. Average Odessa wheat is inferior to average English wheat, by about one-sixth. The average of the wheat which is sold in the Dutch markets is inferior to average English wheat, by three or four shillings per quarter at the utmost. The statements which we have exhibited give something less than 48*s.* as the average price of the average wheat which is sold in the market of Rotterdam. To this add 4*s.* for the difference in quality between that average and the English; and this calculation gives 52*s.* for the price at which, in ordinary years, wheat equal to average English wheat could be imported. And this is the same conclusion at which we had previously arrived, from a calculation founded on an estimate of the remunerating prices in the principal exporting countries.

43. The average price of wheat would therefore be reduced eight or nine shillings per quarter, by the opening of the trade. This fall of price, though quite sufficient to give a great relief to the consumer, is nothing compared to that which we were taught by the agriculturists to expect as the inevitable consequence of a free importation of corn. These gentlemen, indeed, in their pathetic appeals to the compassion of the public for protection against the utter ruin which they would have it believed that the repeal of the Corn Laws would involve them, seem to have forgotten that this kind of argument cuts two ways; that if it tells in their favour, it tells still more strongly against them; that if the price of corn really is kept, in consequence of the Corn Laws, so much higher than it would otherwise be, these laws are only by so much the more insufferable a nuisance, and their repeal only by so much the more imperatively required.

44. Without disguising our opinion that the repeal of the Corn Laws would lower the average price of corn, we can supply the landlords with topics of consolation which, if duly appreciated, are fully sufficient to make them readily acquiesce in this most important of all commercial reforms. For if it be of consequence to them to have a high price, it is also of very great consequence to have a steady one; and it may fairly be doubted, whether they gain so much, by a higher average rent, as they lose by the constant fluctuations which are the necessary effect of the exclusion of foreign corn.

45. A country which freely admits the corn of all nations into its market, is scarcely ever exposed to either of the opposite evils of excessive dearth or ruinous depression. If there be a bad harvest in

one country, there is a good one in another; and the surplus produce of the latter supplies the deficiency of the former, thus saving the one country from the evils of famine, and relieving the agriculturists of the other from the ruin attendant on an extraordinary depression of price. But a nation which denies itself the power of supplying its wants from the resources of foreign countries, becomes dependent for its supply of corn, not upon the annual produce of the whole world, which may be regarded as tolerably uniform in its quantity, but upon the goodness or badness of the harvest in a particular country, which, from the vicissitudes of the seasons, may vary so much as to occasion the most distressing fluctuations of price.

46. There is nothing in political economy more certain, than that a small variation in the supply of such a commodity as corn produces a much more than proportional variation in price: a proposition which Mr. Tooke, who has explained so many of the complicated phenomena of prices, has shown to be as conformable to observed facts, as it is to sound reasoning.

47. In most other commodities an increase of price induces the purchasers in general to restrict their consumption, and the rise of price, therefore, is little more than proportional to the falling-off in the supply. But corn is a commodity of which, whatever may be its price, all are desirous of consuming the same quantity as before; being willing to renounce almost every other comfort, rather than diminish their consumption of so important a necessary of life. They bid, therefore, against one another, until the poorer competitors are driven out of the market from mere necessity. If the deficiency be considerable, the amount of the misery produced baffles all calculation. Wages do not rise in proportion; for wages are affected only by *permanent* variations in price; the whole weight of the evil is, therefore, thrown upon those who are least able to bear it. The poorest class of labourers are deprived of the food which is absolutely essential to well-being, and the class immediately above them are compelled to sacrifice almost all their other comforts, in order to obtain their usual quantity of bread.

48. Though the farmers, in bad seasons, have less corn to sell, yet if foreign supplies be excluded, the value of their produce is increased, more than its quantity is diminished, and it is more profitable to them to sell a million of quarters, at 100*s.* per quarter, than 1,200,000 at 60*s.* These accordingly are the halcyon days of agricultural prosperity. If the high prices, from a succession of bad seasons, continue (as during the late war) for a number of years, the farmers grow rich, rents are punctually paid, new leases are granted at increased rents; both farmers and landlords are tempted to increase their domestic expenses; the farmers, allured by the prospect of high prices, continue to apply additional capital to the soil; commons are enclosed, new and expensive modes of cultivation are introduced, and a foundation is laid for that ruin which necessarily follows on the successive return of two or three abundant harvests.

49. For it is not more certain that a small deficiency produces a great enhancement of price, than that a trifling excess often occasions an inordinate depression. No doubt, when any class of the community was before insufficiently provided with food, an increased consumption is the probable consequence of a fall in price; the increase of consumption, however, is rarely, if ever, proportional to the excess of supply, since they, who already had food enough, are under no inducement to consume more. In a state of freedom the surplus produce would find a market abroad, as soon as the price had fallen sufficiently to indemnify the exporter for the expenses of transit. But when, by a system of restriction, the average price of corn has been raised in any country much above that which is the average price in other countries, an abundant harvest becomes not only a curse to the farmer, but a curse from which there is no relief. His corn is raised at an expense far exceeding the cost of production abroad, and that which is a remunerating price to the foreigner, would to him be absolute ruin. If he exports, he must submit not only to the payment of the expenses of exportation, but to the loss of all the difference between the cost of production at home, and the price abroad. If the average home price is, by the effect of the Corn Laws, kept 10 per cent. above the price abroad, he can obtain no vent for his surplus produce in the foreign market, but by a sacrifice of 10 per cent. and the cost of carriage in addition.

50. To a period, therefore, of dearth and agricultural prosperity, succeeds a period of plenty and agricultural ruin. The inferior lands are thrown out of cultivation, and the capital which has been expended on them is utterly lost; the poorer class of farmers become insolvent; the landlords receive no rent, or if they receive any, receive it out of the capital of the tenants; the provisions for children and other fixed charges, which were a moderate burden upon their former incomes, now swallow up the whole; and the ruin both of landlords and of tenants is accelerated by their inability to renounce in adversity those expensive habits which the former high prices had encouraged them to contract.

51. As if it had been resolved that all possible varieties of absurdity should meet together in a single enactment, even the subordinate arrangements are nearly the worst which could be derived, for that very class whose interests they are intended to promote. If importation were permitted at all times, subject to a high duty, the evils of great fluctuation would indeed be unavoidable; the agriculturists would be ruined in periods of abundance; but they would at least be assured of prosperity in periods of scarcity. But now, when importation is prohibited until corn shall have attained a certain price, and even then permitted only for a few months, the importers being compelled to hurry their corn into the country, without having time to form a judgment as to the causes of the scarcity, its extent, or probable duration, have no means of ascertaining how much corn is wanted, and

much more than is wanted is frequently brought; the price is proportionally, or more than proportionally depressed; and at a time when the farmer, having an unusually small quantity, has the greatest occasion for a high price, he is forced to content himself with what would not perhaps be an adequate remuneration even in an average year.*

52. If the landlords would attend a little to these, and some other effects of the restrictive system, we should no longer hear them clamoring, as so many of them have done, for a protecting duty of 20, 30, or 40 shillings. Can it be doubted that a steady price, though at a somewhat lower average, is better for the landlord than an alternation of famine and glut, of exorbitant gains and absolute ruin?

53. "Granting that his rents will be higher; granting that, for a few years, he may receive a larger sum than he would have done if no such monopoly had existed; still it will be difficult of proof, that a system by which his tenant is injured can be a beneficial one to him. Let us look at his situation; he has a large income, perhaps, and lives in a corresponding style of splendor and comfort; his establishment is upon a proportionate scale; his agencies, his allowances to his children, his subscriptions, in short, all the various charges of this description are settled accordingly. During the period of deficiency his rents are paid; but the period of abundance is as alarming to him as to the farmer, for then his account is made up of small actual receipts and a long column of arrears; but his expenses remain for some time undiminished; and as he also considers this state of things temporary, he is not willing to make such an alteration, as, if permanent, he would be compelled to do. Some of his out-goings cannot be diminished; if he before lived up to his income, it is quite clear, this year, he must live much beyond it. The frequent recurrence of such periods would place the landed interest of this country in the same situation as the West India planter; and whoever really wishes to promote their welfare, would choose any other state than that, to which to assimilate theirs.†—But supposing a proprietor to have his land thrown upon his hands; supposing it beggared, impoverished, and exhausted; supposing his buildings without repair, his hedges and gates neglected, to all which the distress of the farmer must tend; how can

* On the other hand, the complicated and intricate provisions of the present law afford such scope to fraudulent artifices, that importation is often prevented, even when corn is selling to *bonâ fide* purchasers at a price exceeding that at which it was the intention of the legislature that the ports should open. Of the fraud and trickery which it is the inevitable tendency of the system of averages to produce, the pamphlet of Mr. Hayl (himself an eminent corn-dealer) affords a most instructive display; and we regret that want of space prevents us from doing more than directing the attention of the reader to the pamphlet itself, which, though short, is valuable, and will reward him well for the trouble of its perusal.

† 'The property in the West Indies is said, upon the average, to change hands every twenty years.'

the system be a permanently beneficial one to him?"—*Whitmore*, pp. 58, 60.

54. It should also be remembered, that the corn which we might import, would not be gratuitously bestowed upon us by the foreign producers: it would be well if it were; but unhappily they are not so generous. They demand our manufactures in exchange; and if the raw material of those manufactures be of home growth, the production of that material would open a new channel for the profitable employment of agricultural capital. Suppose that we were regularly to import corn from Dantzic or Odessa, and pay for it in Yorkshire cloths, the produce of English wool; much of the land, which they tell us would lie waste, might be profitably laid out in sheep-walks for the production of this wool. Not to say that it would *all* be ultimately employed in this or some other way equally advantageous to the landlord, since the repeal of the Corn Laws could not fail, by raising profits, to stimulate accumulation, and promote the increase of population to such a degree, that all but our very bad lands would speedily be wanted for pasturage, and for the growth of such products as must necessarily be grown at home, though every quarter of corn which we might require should be imported. The free importation of corn in this respect resembles an improvement in agriculture, which, though it may lower rent for a time, is ultimately beneficial even to the landlord himself.

55. The landlord should consider, that if he has an interest opposed to that of the community, he has also an interest in common with them: that if, on the one hand, he may prosper at their expense, he cannot fail, on the other hand, to be a sharer in their prosperity also. It is his interest, as well as theirs, to eat cheap corn; it is his interest, as well as theirs, not to be burthened with a heavy parochial assessment, to provide for the starving laborers in seasons of dearth. And if all these considerations should fail of convincing him that he would not be to any great extent a loser by cheapness of corn; let him throw the happiness of thousands and millions of his countrymen into the scale.

56. To those landlords, however, in whose minds inveterate habit has created so intimate an association between the robbery of the public and gain to themselves, that if they can but make others pay, they find it not possible to conceive that they should not be gainers by it, we have only to say, if they will have it, that if what is a blessing to all the rest of the community, is an injury to them, they must even pocket the loss, and make the best of it that they can. For the stale sophisms, which answered very well formerly, will go down with few people now; so few, that it is scarcely necessary for us to notice them: since, however, this inquiry would not be complete were we not to make some mention of the more prominent among these sophisms, we will trespass somewhat longer upon the patience of the reader for that purpose.

57. They say, then, that there is danger in depending for any part of our supply of so important an article as corn upon the will of fo-

reigners, with whom we may be at war, and who would have it in their power, by prohibiting exportation, to involve us in all the miseries of famine. "This argument," says Mr. Mill [*Elements of Political Economy*, 2d Ed. p. 197], "implies an ignorance, both of history and of principle; of history, because, in point of fact, those countries which have depended the most upon foreign countries for their supply of corn, have enjoyed, beyond all other countries, the advantage of a steady and invariable market for grain: of principle, because it follows unavoidably, if what, in one country, is a favorable, is in other countries an unfavorable season, that nothing but obtaining a great part of its supply from various countries can save a nation from all the extensive and distressing fluctuations which the variety of seasons is calculated to produce. Nor is the policy involved in this argument better than the political economy. It sacrifices a real good, to escape the chance of a chimerical evil; an evil so much the less to be apprehended, that the country from which another derives its supply of corn is scarcely less dependant upon that other country for a vent to its produce, than the purchasing country is for its supply. It will not be pretended that a glut of corn in any country, from the loss of a great market, with that declension of price, that ruin of the farmers, and that depression of rents, which are its unavoidable consequences, is an immaterial evil."

58. Mr. Whitmore makes on this subject [p. 87] the following very pertinent observations:

"Upon this subject, however, we may proceed upon proof and experience, and need not, therefore, trust to general reasoning. It is well known that this country constantly imports nearly all the hemp it uses; it is equally clear that, if deprived of it, the consequences to us, a maritime and commercial people, would be to the last degree injurious. If there be one article more than another, of which an hostile country would wish to deprive us, it would be this very article of hemp, which may fairly be considered the sinews of naval warfare. But were we ever deprived of it? Was there ever any serious obstruction, either to our naval armaments or to our commercial speculations, arising from a deficiency of this important article? If not, it is chimerical to imagine that we should ever be deprived of the corn we are in the habit of importing."

59. It is further alleged, that the various classes of manufactures are protected from foreign competition, and for this reason it is contended that the landlords ought to obtain a similar protection. To this objection also we shall reply in the words of Mr. Mill—*Elements*, pp. 98-9.

60. "In the first place, it may be observed, that if this argument is good for the growers of corn, it is good for every other species of producers whatsoever; if, because a tax is imposed upon the importation of woollens, a tax ought to be imposed upon the importation of corn, a tax ought also to be imposed upon the importation of every thing which the country can produce; the country ought, in short, to have no foreign commerce, except in those articles alone which it

has not the means of producing. This is a reduction to absurdity which appears conclusive. The argument moreover supposes that an extraordinary gain is obtained by the manufacturer, in consequence of his supposed protection; and that a correspondent evil is sustained by the corn-grower, unless he is favored by a similar tax. The ignorance of principle is peculiarly visible in those suppositions, in neither of which is there a shadow of truth.

61. "The man who embarks his capital in the woollen or any other manufacture, with the produce of which that of the foreign manufacturers is not allowed to come into competition, does not, on that account, derive a greater profit from his capital. His profit is no greater than that of the man whose capital is embarked in trades open to the competition of all the world. All that happens is, that a great number of capitalists find employment in that branch of manufacture; that a portion, in short, of the capitalists of the country employ themselves in producing that particular species of manufacture, who would otherwise be employed in producing some other species, probably in producing something for the foreign market, with which that commodity, if imported from the foreign manufacturer, might be bought.

62. "As the man who has embarked his capital in the trade which is called protected, derives no additional profit from the protection; so the grower of corn sustains not any peculiar loss or inconvenience. Nothing, therefore, can be conceived more groundless than his demand of a compensation on that account. The market for corn is not diminished because a tax is laid upon the importation of woollens; nor would that market be enlarged, if the tax were taken off. His business, therefore, is not in the least degree affected by it."

63. Not only is the existence of other monopolies no reason why the corn monopoly should be kept up, but the mutual support which every monopoly lends to every other, is one of the strongest reasons why they should all be destroyed. Every monopoly annihilated, takes one member from the confederacy; leaves one restriction less to be appealed to as a justification for others; adds something to the number and strength of those interested in freedom of trade, and takes something from the mass of interest enlisted on the side of restraint. The Corn Laws are not merely to be viewed as the cause of those evils which directly and immediately flow from them. They are to be judged, not only by the evil which they do, but by the good which they prevent from being done. If the landlords had no longer a monopoly of their own, they would no longer, perhaps, uphold the monopolies of others. It is no more their interest than it is that of the public, to pay dear for their goods; and the *protection of manufactures* might find fewer supporters in a certain honorable house, were it not for the necessity of conceding something to those who might be dangerous enemies to the protection of agriculture.

64. Nor are the mischievous consequences of our Corn Laws confined to this country. Who can know to what extent they may have served as a motive or as an apology for equally pernicious monopolies in other countries? But for the parliamentary slang of protecting

agriculture, America might never have conceived the ridiculous idea of protecting manufactures; since this is the cant word which custom has appropriated to those measures by which a nation renounces the benefit of all the peculiar advantages which nature has bestowed upon her in the production of particular commodities. The late Russian Tariff is believed to have been partly intended as a measure of retaliation upon us; and the last Corn Circular of Messrs. Almonde and Behrend observes, "It has been rumoured that our government intends to retaliate, or at least to meet the present prohibitive system of the western countries by a similar measure as regards several expensive articles of importation which are not in the number of the immediate necessaries of life; but little good," they add, "is expected from such a measure, as it would, perhaps, tend to annihilate trade altogether."

65. Were the exclusion of foreign goods a real advantage instead of a positive evil, it would yet be expedient for a commercial country to sacrifice this advantage, in order to obtain in its turn a similar concession from other countries; on the same principle on which every man would find it his interest, even if there were no laws, to refrain from picking his neighbour's pocket, lest by so doing he should provoke his neighbour to perform a similar *manœuvre* upon his.

66. We are continually calling ourselves a trading nation; and we boast of our commerce, no doubt very justly, as one of the grand sources of our wealth. Yet, who ever heard of a commerce which was not mutual? How can we expect to export without importing?* or of what advantage would it be to us if we could? since, demonstratively, it is the imports alone from which the benefit of foreign commerce is derived. Nobody is enriched by giving any thing away. Should we grow rich by exporting all that we have, and importing nothing? How truly, then, do we misunderstand our own interest, if we attempt to sell our own commodities to foreigners, and yet refuse to take theirs in exchange!

67. We wonder that it has never occurred to those governments, from whose territories we draw our foreign supplies of corn, to punish us for refusing to take their corn regularly, by not permitting us to take it at all. The foreign agriculturist, as he can never reckon upon our demand, of course never produces a corresponding supply; and we, if our price rises to 70*s.*, rush in and carry off part of a crop which was not more than sufficient, perhaps was not sufficient, for the supply of the country from whence it was drawn. The extent to which this evil may be carried is little conceived in this country,

* Messrs. Almonde and Behrend, in their circular already quoted, observe, "It is generally thought that the consumption of British colonials and manufactures does not, at present, exceed one half of what it was before this unfortunate crisis of the corn trade took place." The crisis alluded to is the glut of agricultural produce, which has been principally occasioned by the cessation of demand from this country since 1818.

Mr. Behrend informs us, that the cessation of our demand for Polish corn, since 1818, has caused such a falling-off in the supply, that were it suddenly to become known that 600,000 quarters of wheat would be speedily wanted for importation into England, he should expect the price in the Dantzic market to mount up at once to 120*s.* or 140*s.* And at no price, he says, in the present state of cultivation, could Poland furnish us with as much corn as she did in 1816. Thus, if our Corn Laws should not be repealed, two or three bad harvests may be expected to bring on us all the evils, not of dearth alone, but perhaps of actual famine.

68. It has been said, that although the home-growers have no claim to be more favored than the importers, they have a claim to be equally so: that the home-grower is subject to many taxes, from which foreign corn is exempt; and that a countervailing duty ought, therefore, to be laid upon the importer, equal to all the taxes which fall on corn of British growth.

69. If, in this country, raw produce were the only article subject to a tax, this argument would be perfectly just. It is now acknowledged that taxation should be so regulated as to disturb as little as possible that distribution of capital, to which the interests of individuals would lead in a state of perfect freedom. A premium should be given neither on importation nor on home production. A law which forces us to import our corn is as bad as a law which forces us to grow it at home. In both cases the effect is, that we pay dearer for it than we ought.

70. But when other commodities are taxed as well as corn, we think, with the writer of the article already referred to in the Edinburgh Review, that the agriculturists are not entitled to a countervailing duty, unless they can show that they are more heavily taxed than other classes of producers; nor ought the duty even then to exceed the difference between the burdens of the agriculturists and those of others. The reason is, that if all commodities of home production are taxed exactly alike, even without countervailing duties, it is the same thing with respect to trade, as if they were not taxed at all; since prices are not higher than if there were no tax, and there is no motive therefore to import any thing, which there would not be a sufficient motive to import in a state of perfect freedom. A protecting duty, in that case, would be a premium on home production, and, therefore, injurious. But if commodities are taxed unequally, those which are most highly taxed rise in price, and there is an immediate motive to import them from abroad, paying for them in those which are less heavily burdened. To prevent this, therefore, there is need of a countervailing duty, equal to the difference between the two rates of taxation.

71. Should it appear, then, that agricultural produce is subject to higher taxation than manufactured goods, a countervailing duty would be required. The Edinburgh reviewer is of opinion, that an *ad valorem* duty of 10 per cent. would be amply sufficient. This would be equivalent to five or six shillings per quarter. But a fixed is ob-

viously preferable to an *ad valorem* duty, as the latter, increasing with the price, falls heaviest in dear years, when it is of the greatest consequence that importation should be free. Should the time come, as come it must, when the tithe-tax shall cease to exist, the import duty may be totally discontinued.

72. Mr. Ricardo, who concurred in Mr. Whitmore's recommendation of a fixed duty of 10*s.* per quarter, advised, however, as a measure of indulgence to the agriculturists (to give them time for gradually withdrawing their capital from the land), that the duty should be originally fixed at 20*s.*, and lowered 1*s.* every year until reduced to 10*s.* We shall be believed when we say, it is with the greatest hesitation we presume to differ from so great an authority; but we fear that, in general, these gradual changes, which are intended as a boon to the producers, are felt rather as an evil than as a good, even by those for whose benefit they are designed. On a recent occasion, when, to save the silk manufacturers from loss, the period of the reduction of the silk duties was postponed for a year, the silk manufacturers themselves very generally complained, that they would have suffered less from the immediate operation of the measure, than they did from the stagnation of business which was the consequence of the delay; and we suspect, that if the gradual reduction proposed by Mr. Ricardo, were adopted, the anticipated fall of price would occasion so general an indisposition to lay in any quantity, beyond what was wanted for immediate consumption, as might involve the producers in all the evils of a glut. We believe, therefore, that the introduction at once of that system which is intended to be permanently established, is the most desirable course for the agriculturists, as it certainly is for the rest of the community.

73. We cannot conclude these observations without again reminding our readers, that if ever there was a time when it was of importance that the public opinion should strongly and loudly declare itself upon this question, it is now. Mr. Whitmore has pledged himself to bring the subject before parliament in the present session. The good disposition of a portion of the ministry on this question is well known; of that enlightened portion to whom we are already indebted for the abolition of that worst of taxes, the duties on law proceedings; for the opening of the silk trade; for the free, or virtually free exportation of wool; for the partial abandonment of that ludicrous policy, which forms the basis of our navigation laws; and (in a great degree) for the repeal of those barbarous statutes, which were expressly designed to keep down the wages of labor. Ministers who have done thus much, will do more; and, on the subject of the Corn Laws, they have already expressed the soundest opinions. Unfortunately, however, they are not all-powerful in the cabinet; they will not always be in office, and should they continue as long in power as it is our wish that they may, they will need all the support which public opinion can give, to carry the repeal of the Corn Laws against half the cabinet, and the whole of the landed aristocracy.

74. We have given our praise, as we shall always give our censure,

where we feel it to be deserved; nor is there any inconsistency in praising ministers, and censuring those institutions, under which such men are prevented from wishing all the good which they might do, or from doing all that which they wish. Measures, not men, is our motto; and had we a government, constituted as we desire, we should not wish its administration to be placed in better hands. Freed from the trammels of sinister interest, they would then follow where their better inclinations would lead. And when we consider what is the ordinary effect of power upon the human mind, and what sort of beings ministers usually are; that persons situated as they are should have the smallest sympathy with the public, is a degree of merit which we scarcely know how sufficiently to praise. Should they succeed in relieving the community from the intolerable scourge of our Corn Laws, they will be justly considered as the wisest and best ministers whom this country has ever produced.

THE END.

# CHEAP CORN BEST FOR FARMERS,

PROVED IN

# A LETTER

TO

## GEORGE HOLME SUMNER, ESQ. M.P.

For the County of Surrey.

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BY ONE OF HIS CONSTITUENTS.

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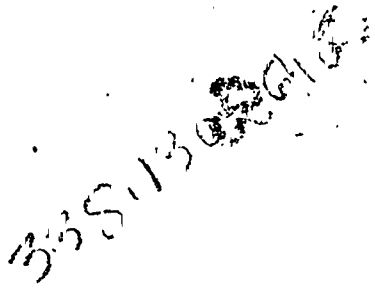
LONDON:

JAMES RIDGWAY, 169, PICCADILLY.

1825.



GREEN, PRINTER, LEICESTER-ST. LEICESTER-SQ.

# A LETTER

TO

## GEORGE HOLME SUMNER, ESQ. M.P.

*&c. &c. &c.*

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SIR,

THE price that corn bears, owing to the present duty, is the heaviest burden under which the country now labours. The persons who alone derive advantage from dear corn, are the owners, together with their families, of the lands on which it is grown; all other persons in the united kingdoms, including farmers, would derive advantage from cheap corn. The population of the united kingdoms consists of 20,468,949. The number of owners of lands which grow corn, is about 72,804; allowing five individuals to com-

pose each of their families, it follows that 364,020 persons wish for dear corn, and 20,104,929 persons wish for cheap corn *.

If these assertions be true, it follows that they who profit by dear corn are very few, while they who would profit by cheap corn are very many: that consequently the majority will not, and ought not, to submit to be heavily taxed for the benefit of a few; and the object of this Letter is to shew that the farmers are amongst the majority, who are taxed for the benefit of the few; because the landlords have endeavoured to induce them to believe that it is their interest, as well as that of the landlords, to have corn dear; and they pretended to be sorry for the *poor farmers*, when in fact their real sorrow was for the poor landlords.

* I have no means of ascertaining accurately the number of persons who own land on which corn is grown, but it is known that the total number of owners of estates in Scotland is 7595. Supposing that number to bear the same ratio to the population of Scotland, that owners of estates in England and Ireland do to the population of these countries respectively, the amount will be as follows:—

The Population of Scotland, 2,135,300. Population of England, 11,486,700. Population of Ireland, 6,846,949—therefore 2,135,300:7595::11,486,700:40,856. and ::6,846,949:24,353.

The population of the three kingdoms being 20,468,949, makes the number of owners of land 72,804. Property in land is more divided in England, and less in Ireland, than it is in Scotland; also many persons are proprietors of land which does not produce corn: supposing these variations nearly to compensate each other, the above numbers will probably be found very nearly to approximate the truth.

Whoever understands this question will not find any thing new in these pages. I have, without scruple, made use of the expressions of any writer, who seemed to me to convey correct ideas clearly. I confess, also, that if this were a question merely between the farmers and their landlords, they might have settled it the best way they could, without any interference from me; but there is another class, much more numerous than both landlords and farmers put together, to which cheap bread is every thing; the interest of which has scarcely been glanced at by the disputants on this question, and that is, the class of agricultural labourers. It is impossible that the labourers can understand the reasons why corn is dear or cheap; they *feel*, indeed, that sometimes when they are receiving most money they are worse off (that is, they have less to eat) than at other times, when they are receiving less. In 1813, the money amount of wages was higher than it was in 1792; but owing to the fall in the value of money, a succession of indifferent harvests, high war taxes, &c. &c., the labourers were in a much worse condition. During the last war, they were robbed by the depreciation of the currency*; now they

* To point out the way in which the price of corn may be affected by alterations in the value of the currency, would tend to divert the attention from the main topic discussed in this letter; and it is likewise quite needless to do so, because that point has been treated with great humour and clearness for the last twenty years in the *Weekly Register*.

are injured principally by the monopoly of the landlords, and both causes are equally beyond their comprehension and controul. It is, therefore, a paramount duty, in those who do understand the causes of these things, to endeavour to obtain for the labourer the power to purchase his food at the least possible price; that is, to ensure to him the greatest amount of comforts in exchange for his labour. I shall endeavour to prove that, as far as dear and cheap corn goes, the interest of the farmer and of the labourer is precisely the same, and opposed to that of the landlords.

If the question at issue were simply between what is called the agricultural and the commercial interests, that is, if the question were, whether we should have rich landlords, and poor merchants and manufacturers, or rich merchants and manufacturers, and poor landlords, I should say, decidedly, that it was our interest to keep our landlords rich at the expense of the others. We know from experience, as well as from indisputable authority, that "wherever a man's treasure is, there will his heart be also." A landlord's treasure must be in England, and all his interests and affections must be bound up in her prosperity, however mistaken he may be in his views of what is conducive to that prosperity. A merchant's treasure is all over the world, he therefore does not give to England his undivided affections. "The little I know," said Lord Chatham, in his speech during the debate on the Falkland Islands, "has not served to raise

" my opinion of what is vulgarly called the monied " interest; I mean that bloodsucker, that muckworm, " which calls itself the friend of Government, that " pretends to serve this or that administration, and " may be purchased on the same terms by any ad- " ministration; that advances money to Government, " and takes especial care of its own emoluments." In our own days, Mr. Canning, a statesman, second only to Lord Chatham, says, " we well know " that at this moment there is scarcely a power in " Europe that is not collecting, from the capitalists " of Great Britain, the sinews of war; there is " scarcely a single power that does not look for " resources to the Exchequer of our Exchange. " We are all aware that our monied men lend in- " discriminately to all parties, and those who are " now 'the captains' captains, the true lords of " Europe,' are furnishing arms to those who are " contending against each other. Therefore let " me not be told that I may look for security in the " morality of our money lenders. No, no, let Fer- " dinand himself, to-morrow, show signs of strength, " and a determination to fit out an armament, and " the troops and fleets of Spain, raised by British " capital, will sail from your ports to strangle in- " fant liberty in South America. I defy you to " prevent it, and I defy you to shew any thing, in " the morality of late pecuniary transactions, to in- " sure you against such an event." Mr. Russell gives the same testimony in his Tour through Germany, vol. 1. p. 52. " Frankfort," he says, " in-

" consequence of her commercial relations, is so " thoroughly under foreign influence, and so pol- " luted by a mixture of all foreign manners, that " her population can hardly be said to have a cha- " racter of their own. Even the multifarious con- " nexions with all ends of the earth, which have " made her citizens, in a manner, citizens of the " world, have unfitted them to be German citizens, " for they judge of the happiness of mankind by " the rate of exchange. Let no one hastily con- " demn the worthy citizens of Frankfort, for thus " forgetting, in the pursuits of the merchant and " money speculator, the interest of their country; " or at least before pronouncing his doom on their " imagined selfishness, let him study the ports of " London, or Liverpool, or Bristol, and discover, if " he can, a purer foundation for English mercan- " tile patriotism." It has been thus in all ages: *est autem maritimis urbibus etiam corruptela ac mutatitia morum; importantur non merces solum adventiciæ sed etiam mores, ut nihil possit in patriis institutis manere integrum. Jam qui incolunt eas urbes, non hærent in suis sedibus, sed volucri semper spe et cogitatione rapiuntur a domo longius: atque etiam cum manent corpore, animo tamen excurrunt, et vagantur. Nec vero ulla res magis labefactatam diu et Carthaginem et Corinthum pervertit aliquando, quam hic error ac dissipatio civium quod mercandi cupiditate et navigandi, et agrorum et armorum cultum reliquerant.* Cic. de Repub. l. 2. iv. During the last war in Canada, the American and English armies were in

sight of each other for a considerable time, and neither could move for want of money. The English general applied to the English merchants for some dollars, offering an enormous interest for the loan on the part of Government. The merchants demanded a still higher interest; the aid-de-camp, afraid to agree without fresh orders, rode back to the general. While he was gone, the American general offered to the English merchants the interest they required, and he obtained the money. The American army was the first in motion to attack the English by means of the money obtained from English merchants. During the former part of the American war, it was very well known that English money was lent to the Government of the United States to carry on the war with this country.

The ignorance of land owners, and their want of liberal principles upon the subject of the corn laws, is a favourite theme of declamation in every assembly of "lean unwashed artificers," from the Common Council of the city of London, down to the lowest town parish vestry. One man, who assumes to himself the character of being a great doctor in political economy, has had the infatuation to write, "let all the industrious classes combine against "their great enemy the landholder. *The land-*"*holders conduce nothing to the prosperity of the coun-*"*try.* Nay, one of the most distinguished of our "political economists, (Mr. Mill) alarmed at the en-"crease of the share of the produce of the soil which "falls to the owner, a share which grows with the

"numbers of the people, actually proposes that the "present rents should be fixed, and made a perpetual "rent-charge on the lands, for the benefit of the "owners of the soil, but that the state should be en-"titled to all future encrease of rent, which should "be applied to the benefit of the community." When such absurdities are gravely set forth, it cannot be a matter of surprise that the science of political economy, still in its infancy, should excite the alarms of the timid, and the ridicule of the wise. All sciences must have their satellites of empirics; and although the ignorant will draw from the latter arguments for suppressing the diffusion of knowledge altogether, the true remedy is only to be found in the wider inculcation of better principles. That the landlords have advocated a monopoly of corn is but too true; but before the "Gentlemen in the Commercial and Manufacturing Interest" presume to lecture them, it would be well if they would point out one instance, where they have given up a monopoly, in which they were themselves interested, until it was wrung from them. Have the Common Council of the City of London ever manifested the slightest disposition to abandon one point of their absurd and noxious privileges? are the merchants, who have the management of the Bank of England, willing to renounce their monopoly of unstamped promissory notes, for the engagements of which, neither their persons, nor their properties, are answerable? Did not all classes, connected with the East-India Company, cling with inveterate obsti-

nacy to their monopoly of the whole trade with Asia, in defiance of reason, justice, facts, and subsequent experience? Does not the whole West Indian body maintain the right of the planters to the monopoly of sugar, and to be legalized traders in human blood? Did not every class of manufacturers assail the ministers this last year with petitions, that freedom of trade might not be extended to the commodities with which they were concerned? If these facts be so, (and they are matter of undeniable notoriety) it is not to be wondered at that the landlords feel indignant at the false pretences to liberality advanced by the merchants and manufacturers on the subject of the corn trade; since it is perfectly obvious that, whether liberal or illiberal, just or unjust, wise or unwise, beneficial or pernicious, to the country at large, it is their own personal advantage alone which instigates their complaints. A loan-contractor, a stock-jobber, a merchant, or, a manufacturer, can transport himself any where, and be as much at home in one country as in another. Not so the landlord, and those employed in the cultivation of the land. It is in these only, therefore, that the permanent strength of the country resides; and it is to these only that the honour of the country can with safety be confided; and consequently of all the classes of the British community this is the last whose interests ought to be lightly sacrificed for the advantage of the rest. But it will clearly appear, that the present system of the corn laws does not benefit the land owners, nearly so much as it

injures the others, and that the land owners greatly overrate the advantage they derive from a monopoly of corn.

The quantity of corn grown and consumed in the united kingdom is computed at forty million quarters*, one third part of which is supposed to be wheat. In case, however, that this calculation be too great, (and it is extremely difficult to calculate such matters exactly) let us take the quantity of wheat at ten million quarters only. Two shillings a quarter upon this quantity of wheat amounts to one million sterling; consequently the land-owners derive the same benefit as they would from the division among them of a tax amounting to one million a-year.

Corn is a very bulky article; the cost of its carriage from abroad would amount to from 7s. to 11s. a quarter, ensuring thereby to the growers here, that higher price than it bears there. If we were to import corn, we should create a demand for it abroad, and consequently raise its price there; and it could not be imported and sold in this country at a lower price than 52s. per quarter on an average†. Wheat was sold at a late market in Uxbridge at

* Supplement to Encyclop. Brit. art. corn.

† From 1820 to 1824, the average price of wheat in New York was 40s. per quarter; the freight would be from 12s. to 14s., making the price in London from 52s. to 54s. per quarter.

From 1815 to 1824, the average price of wheat at Rotterdam was 47s. 9d.: the average quality of wheat sold in Holland is below the average quality of English wheat, by 3s. or 4s.; if, to

90s. per quarter; this enormous difference, (between 52s. and 90s. which, if it run over the whole quantity of wheat grown, would amount to nineteen million sterling per annum,) is a tax levied upon the consumers of corn, and divided amongst the landlords: but even at the average price in the *Gazette* of 69s. 3d., the difference amounts to £8,625,000, a sum considerably exceeding that raised on any other article, without taking into the account the effect of the corn laws on other sorts of corn, as well as on other species of agricultural produce.

If the landlords be entitled to have this sum divided amongst them every year, let them have it; but do not let it be raised by a tax on corn; by a tax on the first necessary of life; by a tax on that which makes four parts out of five of the whole consumption of a labourer. If the income of a landlord be £10,000 a year, he does not spend one hundreth part of that sum in wheat; whereas, if the income of a labourer be 10s. a week, he spends 8s. in flour alone. Let the sum which

this reduced price, be added the cost of freight, the price in London will be about 52s. per quarter.

From 1817 to 1824, the average price of wheat in the Black Sea was 22s. 4d.; the expenses of freight amount to about 22s. 6d., making its price in London somewhat below 45s: but Odessa wheat is inferior to English wheat by about one sixth, which (7s.) would bring the price to 52s.

The average price of wheat at Dantzic for the last 49 years, has been 45s. 4d. (Solly's evidence, and Whitmore's pamphlet, p. 62.) the expense of freight is about 7s. 6d., making the price in London 52s. 10d.

the landlords are entitled to, be raised by an income tax; by a tax on servants, horses, wine, or anything rather than corn. It is enough to goad the people to insurrection to continue to levy it on corn.

When corn rises, rents rise; when corn falls, rents fall. The price of corn therefore cannot affect the farmer, as far as his rent is concerned, *excepting during the currency of his lease.* Whenever any law is made to affect the price either of the currency or of corn, a clause ought to be introduced to protect a farmer from being called upon to pay the *value* of more corn to his landlord in the shape of rent, than he was bound to pay at the time the lease was granted. The price of corn affects the landlord. If corn is dear, he gets more rent; if corn is cheap he gets less rent. It is not surprising, therefore, that he should cry out at the thought of cheap corn; but what business has he to cry out for the *poor farmer?* If corn fall during the currency of a lease which he has granted, he need not cry out for the tenant; he has only to reduce the rent in proportion to the fall in the price of corn, and the *poor farmer* will be just as well off as ever. He may cry out *poor landlord*, if he will, and to a certain extent he will cry out justly; but to cry out poor farmer, and at the same time not to lower the rent, would be little better than hypocrisy.

A farmer may have a good or a bad bargain from his landlord; one farmer may have a good bargain and his neighbour a bad bargain; but in the majo-

rity of instances the farmer pays the full value in rent to the landlord. The farmer pays the landlord for the privilege of using the land; but the land is of no use to him for producing corn until he has laid out *his own money* upon it; until horses have been at work upon it; until manure has been carried to it; until labour has been employed upon it; and until seed has been put into it. The less money he has laid out upon the land; the cheaper he has been able to feed his horses; the smaller the price his manure has cost him; the lower the wages he has paid the labourers; the less the price he has paid for his seed, the better for the farmer; the more, in short, all his expenses are diminished, the better for him. If corn rise during the currency of his lease, rent will rise in proportion at the end of it; and if corn fall, he will be a loser as far as his rent is concerned, during the time his lease lasts. If corn rises, rates rise, keep of horses rise, labour rises, the blacksmith's bill rises, the wheelwright's bill rises, expenses of all sorts rise, and the farmer's profits fall. The only thing that is fixed is rent: whether corn rises or falls, whether expenses rise or fall, he must pay the rent he has agreed to pay, or go to jail. Hence it is of the utmost importance to the farmer that corn should neither rise nor fall, but be fixed, that he may not be living in doubt, but be sure that he never will be called upon to give a larger quantity of corn, in the shape of rent, than he contracted to give at the time when he entered upon his lease. If corn

falls, rates fall, keep of horses fall, labour falls, and profits rise. It is, therefore, to profits that a farmer ought to look, and not to rent. Dear corn makes rent high, and profits low; cheap corn makes rent low, and profits high; nothing is more certain than this: but as the farmer has been led to suppose that high profits are the consequence of having corn dear, it is difficult for him at once to be persuaded of it. I shall go, therefore, rather more into detail, in order to shew, that, in the long run, it is so; and, as it is a point of the greatest importance, he will do well to pay particular attention to this part of my letter.

All commodities are produced by labour. The landlord provides land, the farmer provides horses, carts, ploughs, implements of all kinds, seed, money to pay the labourers; (these things constitute his stock or capital) the labourers provide labour. All that is produced is shared amongst them, and the share that each has is an affair of bargaining, in which each tries to get the largest part for himself. Suppose 100 bushels of corn are produced amongst them, the farmer gives 20 bushels to the landlord for the use of his land; (that is rent) he gives the labourers 30 bushels for the use of their labour; (that is wages) he spends 30 bushels in his horses' food, seed, repairs of implements, &c. and keeps the other 20 bushels for himself; (that is profits on his stock or capital) the labourer gives his labour to the farmer for the smallest amount of food upon which he can keep himself comfortably; the wages of

labour in every country being principally regulated by the sort of food that the people live upon.

But both farmer and labourers want other things besides corn; they want clothes, fuel, beer, meat, &c. and their corn will exchange for the same quantities of clothes, fuel, beer, meat, &c. as have been produced by the same quantities of labour and capital that they have employed in producing the corn. Thus, if it has cost as much labour and capital to produce a coat as it has to produce four bushels of corn, a coat will exchange for (or sell for the value of) four bushels of corn.

Now suppose that in process of time, and no matter from what intermediate causes, the farmer goes to the landlord, and asks for some more land; and suppose that the landlord has got no more land, so good as to produce 100 bushels of corn, but he has got some good enough to produce 80 bushels, and the farmer gives him for this land only half the rent he gives him for the other, namely 10 bushels; he still has to employ the same quantity of manure, carts, labour, &c. to the amount of 30 bushels: and as the labourers cannot maintain themselves for less than 30 bushels, the farmer has only 10 bushels left for himself as profits. This instance will suffice to shew one mode by which it comes to pass, that the poorer the land is, which is worked, the less profits the farmers can make.

The business of a corn-grower is, like all other business, only carried on because it yields a profitable return to the capital employed, and therefore the

profits of a farmer are a criterion of the profits of all employments of capital. Men finding so little profit is to be made, (that is, so little corn to be had for their own share), by cultivating poor lands, take to employing their capital, or stock, in producing other things, such as coats; more coats being made, the makers must give more of their coats to the corn-growers in exchange for corn, so that they will give two coats for four bushels of corn; thus they get no more corn *for themselves* by producing coats, and exchanging them for corn, than they did by producing corn itself directly from the soil In this way the profits of producers of all commodities are kept upon a level, no man getting a greater share of corn and coats than the other, whether he produce directly one or other commodity, allowance being made for those employments which are less healthy and agreeable than others.

Again, let us suppose that it requires the capital of a farmer for a whole year, joined to the labour of a labourer, to produce 100 bushels of corn on certain lands in England: if he could, with the same capital and labour, produce as much of some other commodity (such as meat, butter, &c.), as would exchange for 200 bushels of corn, it would be the interest of the farmer and labourer not to employ their capital and labour in producing corn, but in producing that other commodity. It is therefore quite clear, that if there are laws which force men, or tempt men, to employ their labour and capital in producing corn from poor soils, such

laws force, or tempt, them to waste their capital, or employ it disadvantageously to the country, though not to themselves, the country making up the loss which they would otherwise sustain. The farmer, in the first case, when he cultivates only the best lands, receives twenty out of every hundred bushels for himself. In the second case, when he cultivates land of one-fifth less fertility, although he pays only half as much rent, he makes only half as much profits: he is therefore not employing his capital for so great a gain, as if he were cultivating only the best lands; but as it has been shewn in the last paragraph, that the profits of all capitalists must be equal, it follows that all the capitalists in England are not gaining so much profit on their capital as they would, if only the best lands in England were cultivated: for as a fall in the rate of profits, owing to the diminishing productiveness of the soils which he cultivates, is true of one man, so is it true of numbers of men, or nations. Hence arises the evil of shutting out foreign corn, as thereby profits on capital are so much lowered, that capital is sent out of the country to a very prejudicial extent.

Let us take another case to illustrate this same point: suppose the trade in corn to be free, and the price of wheat to be 52s. per quarter; and suppose a farmer to take a farm which produces on an average 100 quarters of corn, which would sell for £260. Now he will have to divide this produce into four parts: one part must be paid to

the landlord for rent; another to the labourers for wages of labour; with the third part he will have to pay tithes, rates, bills of tradesmen, to buy seed, and oats for the horses, and to replace any of his stock which is worn out; the fourth part which remains will go to himself, and will constitute his profits. Let it be supposed to be divided in the following manner:—

| | Quarters. | Value. |
|---|---|---|
| Rent | 20 | £52 |
| Wages | 30 | 78 |
| Lesser Expenses | 30 | 78 |
| Profit | 20 | 52 |
| | 100 | 260 |

Hence it is clear, that of the whole produce, the only part, which comes to the farmer, is that which is called profit; the rest goes to the landlord, or the labourers, or the poor, or the carpenter, wheelwright, blacksmith, &c.: it is clear also, that the less he has to pay to the landlord and the labourers, &c. the more he has left for himself. This is the profit he makes on his stock, or capital, that is, on all the money which he requires to work his farm, to pay the wages of his labourers, as well as to purchase seed, horses, carts, ploughs, implements of all kinds, and to pay for their annual repair. Suppose that the capital he requires for these purposes amounts to £650. In that case the £52 on the value of twenty quarters, which he gets as profits, will be eight per cent. on his capital.

Let us now see who will be the gainer, if corn rises in price one-fourth, or from 52s. to 65s. In this case he will get £325 instead of £260 for his produce; but then his expenses will rise in proportion. His landlord will require of him more rent, and will still take a fifth of the produce, or the value of twenty quarters. The labourers also must have higher wages; for they could not possibly subsist unless they received as before, the value of thirty quarters, and if corn rises, their wages must rise in proportion. In like manner tithes and poor-rates must rise—oats for the horses, and seed for the ensuing crop will be dearer, and the different tradesmen will charge higher for their work. Thus the produce of the farm will then be divided in the following proportions:—

| | Quarters. | Value. |
|---|---|---|
| Rent | 20 | £65 0 |
| Wages | 30 | 97 10 |
| Lesser Expenses | 30 | 97 10 |
| Profit | 20 | 65 0 |
| | 100 | £325 |

Here it appears, at first sight, as if the farmer would gain by the change, since his profits would rise from £52 to £65; but this is delusive, for *he could not farm at all with only the same capital that he did before,* and he would require a larger capital in proportion. As oats and seed rose in price, and as the wages of his labourers increased,

he would require more money to pay them, so that he could no longer cultivate his farm with a capital of only £650 as heretofore, but would require a capital larger by one fourth, or £812 10s. Thus his profit would still be only eight per cent. on his capital, and he would be no gainer by the change. In like manner the labourer would not gain by the rise in his wages, since he would have to pay more for bread, &c. in proportion. The only gainer would be the landlord, whose rent would increase from £52 to £65, without any proportionate increase in his expenses.

If the matter rested here, the rise in corn would do neither good nor harm to the farmer: he would still make eight per cent. on his capital. I leave out of the question the precious plight a farmer is in, who is obliged, in the middle, perhaps, of a long lease, to get one-fourth more capital in order to carry it on; and where is he to get it? is he to borrow it of some attorney or banker in the neighbourhood, and make over his sheep, corn stacks, hay ricks, and all his other stock as security? But passing by all this, we shall soon see that the farmer is no gainer, but a considerable loser, even if he has more money of his own ready to be employed.

It is not only the wages of the farmer's labourers which rise in consequence of the dearness of corn, the wages of manufacturing labourers must rise in proportion. When corn rises one-fourth in price, their wages must also sooner or later rise one-fourth, or they could not possibly subsist. Now where is the

manufacturer to obtain the money wherewith to pay them? Whatever effect the corn laws may have in raising the price of corn, they cannot have the same effect on coats, hats, or cotton goods. The rise in the price of corn may repay the farmer for the additional wages he has to pay his labourers, but not so with the manufacturer. His commodities are not raised by any similar restriction, and he must therefore take these additional wages out of his profits. Formerly he made eight per cent. on his capital, like the farmer; but the rise in wages will reduce his profits considerably, say to four per cent. This is a reduction to which he very unwillingly submits, and he seeks anxiously for some means of avoiding it. He sees his neighbour the farmer still making eight per cent. and he resolves to leave trade and take to farming. He considers that even if he makes five per cent. only by farming, he will be better off than he is at present in trade; and he determines on outbidding the farmer, by offering the landlord more rent for his farm. He calculates that if the produce be divided as follows, he will obtain a profit of five per cent. on his capital of £812 10s.

| | Quarters. | Value. |
|---|---|---|
| Rent | 27½ | £89 7 6 |
| Wages | 30 | 97 10 0 |
| Lesser Expenses | 30 | 97 10 0 |
| Profit | 12½ | 40 12 6 |
| | 100 | £325 |

The farmer, of course, can only retain his farm by

offering the same terms, and is obliged to reduce his profits to $12\frac{1}{2}$ quarters, or five per cent. on his capital.

Now let us consider who is the gainer by the rise in corn, the farmer or the landlord. The rent of the landlord has increased from £52 to £89. 7s. 6d. but the profit of the farmer has fallen from eight to five per cent., namely, from £52 to £40. 12s. 6d. Formerly the share of the landlord was 20 quarters, or one-fifth of the produce; but he now gets $27\frac{1}{2}$ quarters, or more than one-fourth; while at the same time the share of the farmer has fallen from 20 quarters to $12\frac{1}{2}$. It is evident, therefore, that the profits of the farmer fall with the general profits of capital, and that whatever he loses in this way the landlord gains.

If wages rise 10 per cent. in any manufacture, the manufacturer will try to increase the price of his goods upon the consumer; but as he only produces in order to exchange with other producers, and as all other producers are in the same state, a rise in wages has lowered his profits, and those of all other capitalists, without enabling them to make a corresponding rise in the prices of their goods. If wages rise in one manufacture, they speedily do so in all others; and thus a rise in the price of corn of 10 per cent. is no advantage to the farmer, because he must give 10 per cent. more for his hats, leather, rent, cattle, &c. &c.

It is not meant that these effects are produced in a day, in a month, or in a year, but that sooner or

later they infallibly take place. For a time, the wages of the labourer may not rise in proportion to the dearness of corn; but in the end they must be sufficient to afford him his usual subsistence, and enable him to bring up his family. In like manner, during the currency of a lease, the rent of the landlord will remain stationary, and the profits of the farmer may not be depressed; but as soon as his lease expires, he will be obliged either to give his landlord a higher rent, or to resign his farm to some other capitalist, who will outbid him. In the long run, the case must turn out as has been stated. The system of the corn laws can in the end do nothing but enrich the landlords, and impoverish the farmers.

A farmer is as much a capitalist as a shopkeeper, or a manufacturer, and the profits of farming capital must in the end be lowered by any cause which lowers the profits of other capital. It is the interest of all capitalists to have the necessaries of life, and consequently corn, among the rest, cheap; because their labourers will then be contented with lower wages. A farmer's gain cannot be permanently greater than those of other capitalists. Even during the currency of a lease, a rise in the price of corn is not always an advantage to him; for if there be a general rise in the price of all other commodities, also at the same time, he must give a corresponding increased price for his coats, hats, horses, sheep, cattle, &c.; and unless during the currency of a lease he has no interest whatever in high

prices, because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high, for a long period together, when the necessaries of life are dear. A high price of corn, therefore, not only is not beneficial to the farmer as such, but it is positively injurious to him. He is injured in two ways; first, as a consumer of corn in common with the rest of the community, by having to consume a dear, instead of a cheap, commodity; and secondly, he is injured in a still greater degree, as an owner of capital, by being compelled to give high wages to all the labourers he employs. A farmer of Indiana in America, where wheat does not fetch a third of what it does here, will derive as much profit from a capital of £1000 as an English farmer will derive from a capital of £4000. "When a nation," says Mr. Cobbett, V. 55. p. 488, "is in a state of real prosperity, money is at a high interest, and labour *in proportion to the price of provisions* is paid in high wages. "This is shown in the case of the United States of "America, where in some of the states the legal "interest of money is so high as seven per cent. "The cause of this is, that the profit on agriculture, "on trade, on manufactures, is so great, that money will yield more when employed in them, than "when lent at any rate under seven per cent. A "man who has a thousand pounds in money, and

"who is offered a mortgage on land at six per "cent. in America, says no, I can make much more "interest of it, if I employ it in agriculture and "commerce."

Each class of producers can see very clearly that it is to the interest of the rest, that all productions should be cheap, except that which they themselves are engaged in producing. A friend of mine told me that he was desired by a deputation from some manufacturers in iron, belonging to a town which he represented in Parliament, to accompany them to the minister, which he accordingly did. The head man of the deputation began a long panegyric upon the enlightened policy of the government, which had led to so great a freedom, and consequent extension, of trade, by the removal of restrictions and duties; but he begged to observe, that there were some peculiarities in the iron trade, which made it desirable *for the benefit of the country* (not mentioning a word about the benefit of dealers in his branch of the iron trade) that the restrictions on it should not be taken off. The minister replied, that, the gentlemen whom he then saw before him, were about the 70th. deputation which he had received; that, they had one and all began with a warm approval of removing restrictions from every trade, but their own; and that, they all alledged some peculiarities in their own case, which made it desirable that their own monopoly should continue; and all professed to desire this, not so much on their own account, as *for*

*the benefit of the country*; that, consequently if ministers had been swayed by every deputation that had come to them, there would not have been one single restriction removed, of which removal, however, they could all see the advantage in every case except their own.

Precisely in this manner, a corn grower can see that it is a great advantage to the public that cloth should be cheap, that leather should be cheap, that coals should be cheap, that wood should be cheap, that iron should be cheap, that, in short, every thing should be cheap except that which he is instrumental in producing. But if a farmer will reflect a little, and count a little, he will soon see that in the long run, however much dear corn may benefit his landlord, it must be cheap corn, and cheap every thing else that must benefit him. I will not lengthen this letter by shewing the various ways in which the manufacturers and merchants will be benefited by cheap corn, because I wish to confine myself entirely to the consideration of the interest of the farmers and labourers, and to prove that it is as great an advantage to them, to have cheap corn, as it is to any other class of the community.

Nobody can deny that it is better to have all commodities cheap than dear; and the sure way to have them the cheapest, is to let the public buy them wherever they please. The corn laws are intended to make corn dear. The question, then, between the people and the landlords is, whether

it is better that the landlords should submit to a reduction of their rents, or that the whole people of Great Britain should pay a high price for their corn; whether, in short, the landlords can make out a case for taxing the community to put money into their pockets. Now the landlords, instead of shewing us that it is better for us to have rich landlords than cheap corn, which is what they ought to prove, talk to us about "the interests of agriculture." This artifice, of identifying themselves with an abstract term, is not without example. When the popish priests attempted to establish their supremacy over the civil power, they said it was for "the interest of religion." That it was for the interest of the priests is very evident; but how it was for the interest of religion, it is not so easy to explain. In like manner, the West Indians repel any interference with the horrid cruelties they daily practice in the islands, under the cant term of "the interest of the colonies." It might be admitted, that dear corn is beneficial to landlords; but in what sense it can be beneficial to "agriculture," unless landlords be "agriculture," it is not easy to see. The artifice, however, is not without its use: "protect agriculture," like "protect the colonies," sounds better than "give me your purse;" and many a man is duped into doing that for the protection of agriculture and colonies, which he would hesitate to do for the mere purpose of enriching landlords, and would refuse to do for the sole ob-

ject of enabling sugar planters to murder their slaves with impunity*.

It is by this term, "protection to agriculture," that the farmers have been deceived. Mr. Western, the member for Essex, and the ablest of the writers on the side of the landlords, unites the tenantry with the landlords as equally falling a sacrifice to cheap corn. Another member, in the House of Commons, reckoned that 40,000 farmers had been ruined at the time of what was called "the agricultural distress:" but this agricultural distress was principally produced by tricks which were played with the currency; and if the landlords had reduced their rents in proportion as the price of corn fell, instead of talking about "protection to agriculture," not one farmer would have been ruined.

* In the last House of Commons Papers, we find a planter ordering a woman, who was seven months gone with child, to be flogged; she was so, and was shortly afterwards delivered of a child which was born with a broken arm, one eye knocked out, and the head beaten in; proving most unequivocally, as well as from the evidence of the driver, that it was murdered *in utero*, by the inhuman miscreant, her master, to whom, however, nothing was done! and this is the result of all that the Government has hitherto effected to mitigate the horrors of slavery! In fact, the cruelties, murders, and tortures, which have at length roused the indignation of every man not dead to all the commonest feelings of humanity, are indisputably proved in the abovementioned papers, to be daily practised in all the West Indian Islands, although the planters have, by falsehood unparalleled, succeeded in making some weak people, who are too idle to examine the subject for themselves, believe the reverse.

Dear corn may be beneficial to landlords, although certainly not to so great an extent as they fancy; but so far is it from being beneficial to the farmers, that there is no class to which it is more, and few to which it is equally, injurious. Not only is the interest of the farmers not the same with that of the landlords, but no two interests are more directly opposite to each other.

If, however, the effect arising from dear corn were merely like robbing Peter to pay Paul; if, it were only taking a certain sum of money out of the pocket of the consumer, to put it into the pocket of the landlord, bad as this would be, it would not be so bad as it really is. But for every pound that finds its way into the pockets of the landlords, the public are robbed of several—the *loss* to the community is much greater than the *gain* to the landlords.

This will be easily understood, by reflecting, that rent must arise from the value of the produce of the land: but rent is only a part of that produce; another part goes to wages; another to various smaller expenses; and another to the farmer as his profit. Yet all these parts must rise in price as well as the part which the landlords put into their pockets; while it is obvious, that neither landlord, nor any body else, can gain by the price of that, which goes into the ground as seed; into the horses and labourers stomachs for food, &c. &c.; and a horse does not work one whit better upon oats at a guinea a bushel, than he does

upon oats at a shilling. The landlords themselves, and their friends, Messrs. Ellman, Wakefield, Iveson, Driver, Webb, Lake, Clutton, and others, state in their evidence* before the House of Lords, in 1814, and Mr. Western, in his "Address," p. 37, assume it as a settled point, that the proportion of produce, which the landlords receive as rent, is one-fifth part: so that, if dear corn operates as a tax upon the public of ten millions sterling a-year, only two millions sterling are divided amongst the landlords, and eight millions sterling are wasted in pure loss, without any body being a gainer. It follows, also, (even upon their own view of the nature of rent) that the effect of opening the corn trade would be to lower rents only one-fifth of their present amount, since the way in which the landlords could be affected by cheap corn, would be so far only as they are affected by dear corn; and if they now receive but one-fifth part of the produce, it can be only as much as that fifth part amounting to two millions sterling is lowered in price that they will suffer, while the public will receive the benefit of the fall upon the whole amount, or twelve millions sterling.

I am the owner of a tract of land, which probably contains a larger portion of poor land, as compared with the good, than most other land owners in this county; yet I am confident, that

* Mr. Lake, one-sixth; Driver, one-third to one-fifth; Clutton, one-fifth to one-sixth; Webb, one-fourth, and so on—varying, of course, according to the different qualities of land.

not an acre would be rendered useless by the opening of the ports for the introduction of foreign corn: and it has been repeatedly shewn, that every acre of land which it was possible to cultivate with profit last year, (when wheat was at 55s. 6d., rye 31s., barley 33s., oats 22s.) might continue to be so cultivated, were every restriction and prohibition abolished, and the public allowed to purchase their corn in the cheapest markets. But such a reduction of price, as would not be sufficient to cause even the very poorest lands now under corn to be laid down to pasture, would so increase the comfort of the labourer, and give such an immense stimulus to industry in general, that the progress of the country in wealth would be accelerated in a degree that can hardly be conceived.

The more the landlords contend that corn would be cheap if the ports were open, the more they prove what a nuisance the present corn laws are. If the corn trade were free, the price of corn would be steady; even a scarcity would not affect the price; for it is almost impossible that there should be a scarcity over all the world at the same time, in America, in the Baltic, and in the Mediterranean; and every farmer knows, and every landlord ought by this time to have learned, that steadiness of price is of the first consequence to all who are employed in the cultivation of land—that fluctuation produces speculation, and speculation produces ruin.

A country, which freely admits the corn of all

nations into its markets, can be scarcely ever exposed to either of the opposite evils of excessive dearth, or ruinous depression of price. If there be a bad harvest in one country, there is a good one in another; and the surplus produce of the latter supplies the deficiency of the former: thus saving the one country from the evils of famine, and relieving the agriculturists of the other from the ruin attendant on an extraordinary abundance, and fall of prices. But a nation which shuts out foreign corn, denies itself the power of supplying its wants from the resources of foreign countries, and becomes dependant upon the goodness or badness of the harvest in its own country, which in different seasons may vary so much as to cause the ruin of thousands.

The present system is productive of double mischief. By preventing importation, it aggravates all the evils of scarcity when the home crops are deficient; whilst by raising prices, and thereby forcing the cultivation of poor soils, it prevents exportation in a year of unusual plenty, and teaches the farmers to look on the bounty of God as a curse instead of a blessing. So long as the present system lasts, we shall have the same changes, from ruinously low to oppressively high prices, which we have experienced since 1815. At one time we shall be stunned with the complaints of the landlords; and when these have subsided, we shall be assailed with the louder and more dangerous cries of a starving populace. The sustenance of

the people is the last thing that a wise government will suffer to be tampered with; for a man who will fight neither for his country, nor for his liberty, will nevertheless be as ferocious as a tiger for his belly.

When most other commodities get dear, people can either go without them, or wait till they fall again; but this is not the case with corn. If corn really becomes scarce, the amount of misery produced baffles all description. Wages do not rise immediately in proportion, and the whole weight of the evil is thrown therefore upon those who are least able to bear it. The poorest class of labourers is deprived of the food which is absolutely essential to well being, and the class above them is compelled to sacrifice almost all other comforts, in order to obtain the usual quantity of bread.

The landlords say, that the restrictions on the importation of corn are necessary for them, first, because they pay taxes from which the rest of the community are exempt; and secondly, because, as all manufacturers have protection for the articles in which they deal, the landlords ought to have the same benefit also for their corn. But the landlords do not pay all the taxes; and if they take so much from the rest of the community for their corn, the public have less money with which to pay their share of the taxes: for after a man has paid 90s. to the landlords for the same quantity of corn which he might obtain elsewhere for 52s., he is clearly so much the less able to pay taxes on

malt, soap, tobacco, sugar, wine, tea, &c. The argument of the landlords is the same as if they were to say, that the consumers of corn are in a fitter state to pay their share of the fifty-five million of taxes to the government, after they had undergone an evacuation of ten million to the landlords, than they would be if the ten million paid for dear corn remained in their pockets. With regard to their second reason, no manufacturer at this moment derives the smallest advantage from any protecting duty; and if he does, let the landlords exert themselves to have it removed, rather than make it a stalking horse to cover their own monopoly of corn.

The landlords "seem to imagine, that when corn "is brought from abroad, it *takes according to its* "*amount just so much money away from being laid* "*out in home corn.* Error, when once adopted, is "very persevering; but is it then possible that "the great body of English farmers can *really be-* "*lieve* this? Do they not know that it is an exchange "that is going on of foreign corn for *manufactures?* "Now these are made out of the produce of the land "of England, Ireland, and Scotland, in great part; "and observe, if the goods were not exported in ex- "change for the corn, *they would not be made;* and "of course, the amount of them would never be laid "out in *their corn.*" Weekly Register, Dec. 15. 1821.

At the same moment that the ports are thrown open for the free introduction of corn, then or never, something may be done towards diminish-

ing the burden of the poor laws; but as long as the landlords contend for their right to prevent the people purchasing corn where they please, they have no pretext for complaint that they are compelled to disgorge a small portion of their unjust gains in favor of the labourers, whom they are defrauding of the produce of their labour, by preventing their exchanging that labour for the largest possible amount of bread.

Instead of making the burdens, which they have to bear, the pretext for their monopoly of corn, the landlords would do more wisely to give up their monopoly, and at the same time compel the ministers to abolish all other monopolies also. They ought farther to insist upon a large reduction of taxation. Taxation is as a blight from heaven on the produce of industry; no struggles of the labourers, no increased ingenuity, no augmented exertion of any kind, can counterbalance the blasting effect of low profits produced by taxation, or by the cultivation of poor soils. Let the landlords insist upon being no longer compelled to pay 36 per cent. for their sugar, 56 per cent. for their coffee and cocoa; £8 per ton for their mahogany; 10 shillings per gallon for their rum, and nearly the same for the indigo which dyes their wool, in order to give monopolies of these articles to slave owners. Let them insist on the reduction of that large proportion of our standing army, kept up, neither for the protection of the state, nor for the splendour of the crown, but to shield the persons of the slave drivers in the colo-

nies from the tardy, though just, retribution of their outraged fellow-creatures. Let them insist upon no longer paying twice as much for their tea as they need pay, in order to keep up the monopoly of the East India Company. The monopoly of the slave owners alone costs all consumers of sugar, coffee, rum, mahogany; &c. and all wearers of cloth coats, many millions a-year*. Let the landlord resolve to put an end to these monopolies, and they will soon findthat that, coupled with the reduction of poor rates, price of labour, and all expenses, together with increased demand for the produce of pasture land, and the certainty of not going without rent altogether in seasons of depression, would fully compensate them for the diminished value of the arable land.

I again repeat, that until the ports are open, no farmer, who knows his own interest, will bind himself by a lease; if he does, he ought to take it at a corn rent, that is, with a lease fluctuating with the price of corn; if he does not do this, he puts his fortune, and the independance of himself and children, at the mercy of his landlord, or of the Bank Di-

* Partly by means of this monopoly, the West Indian planters, residing in London, were enabled, in July last, to lay a tax on their produce, no doubt to be spent, as the money voted by the local legislatures has been, in paying editors of newspapers, and in buying seats in the House of Commons, for members who will palliate their barefaced oppression of slaves and free people of colour—a class far superior in morals and intellect to the white residents in the islands.

rectors, or of the Government. By a corn rent only can he be safe; and a law ought certainly to be passed to prevent his being called upon, at any time, for a higher rent than is proportionate to the price that corn bore at the time when he entered upon his lease.

It has now been clearly shown—

1. That the land owners' monopoly of corn is the heaviest tax which the people have to pay.

2. That the land owners, and their families, are the only persons who gain by this tax.

3. That all other classes, including farmers, are injured by this tax.

4. That of all taxes, it is the one which presses hardest upon the labourers.

5. That the gain to the landlord from this tax is not so great as the loss to the people.

From all which considerations alone, (without reckoning the way in which this tax strikes at the root of the growing prosperity of the country, and impedes its advance in wealth, by which advance only the enormous burden of its debt can become tolerable) it follows, that the immediate abolition of the monopoly of corn which the landlords now enjoy under the present corn laws, is a measure of bare justice and absolute necessity.

I am,

Sir,

Your obedient Servant, and

ONE OF YOUR CONSTITUENTS.

October 10th, 1825.

# OBSERVATIONS

ON THE

# Proceedings of

# COUNTRY BANKERS

DURING THE LAST THIRTY YEARS;

AND ON THEIR

# COMMUNICATIONS WITH GOVERNMENT:

TOGETHER WITH

# A REMEDY

PROPOSED AGAINST THE ALARMING CONSEQUENCES

ARISING FROM THE

**CIRCULATION OF PROMISSORY NOTES;**

IN

# A LETTER

ADDRESSED TO THE

CHANCELLOR OF THE EXCHEQUER.

By JOHN MILFORD, Jun.

LONDON:

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# OBSERVATIONS,

ETC. ETC.

SIR—It is now within the last thirty years that we have witnessed three or four periods wherein commercial and almost national convulsions have occurred from the failure of Country Banks. On former occasions, in time of war, and from scarcity of money, the agitation and distress to individuals has been confined to particular towns or counties; on the late occasion, the panic, like a general epidemic, in an instant extended its influence, without discrimination, from the highest to the lowest establishments both in town and country; including, perhaps, the Bank of England.

The violence of a sudden tempest, we all know, both in the natural and political world, does not last long. The public at large as suddenly found their interests equally implicated, and used immediate

exertions to stem the torrent, by meetings and declarations of public and private confidence. Thus the panic has gradually subsided, and the whole body of doubtful and speculative banks shared the same protection with their more honourable brethren; leaving, however, the frightful consequences and sacrifice of property to fall equally on both descriptions of Country Bankers.

This short-lived convulsion must, however, have plunged thousands of the industrious and useful part of the community into wretchedness and misery. All this too has occurred at a period of profound peace, and of flourishing revenue: that the evil must and will recur at no distant period, whilst the present system is continued, is most evident to all men of observation; and it is equally certain, that very many of the first establishments having suffered such severe pressure, and made such heavy sacrifices, from this indiscriminate attack of the public, they will take good care never again to put it into the power of caprice or malignity to expose them to such a trial; they will confine

their circulation of notes to the narrowest possible scale their business will admit; and in proportion as this principle is acted on by them, so much the greater will be the increase of circulation with other banks, whose only object in business has been, by means of agents and forced measures, to disperse in all directions their promissory notes. Yet these latter gentlemen say, "Why should we, of all commercial men, be prevented from enjoying the advantage of public credit, when every man in business has the option of trusting his neighbour or not? If he does not like our notes, let him refuse them!" This merits no answer but for the purpose of exposing its fallacy: every man who goes beyond forty miles from London, finds these notes the only circulating medium through the whole kingdom; so that either all the intercourse of traffic must cease, or they must be forced upon him; he is astonished at never seeing a sovereign or Bank of England bill, and the reason is obvious; whenever they get, through payments from customers into the bank, or are collected by agents, they never again return to

the public, being sent daily back to London to provide for their running bill accounts. Is it, then, to be borne, that the coin of the realm, and the issues of the Bank of England, should be thus withdrawn from country circulation; and at the same time can it be asserted, that it is at your option to take the country notes or not?

It was in the year 1796, that Mr. Pitt, when he passed the bill to enable Country Bankers to issue bills under five pounds, insisted on the expediency of some security being given. The necessity of supplying a circulating medium for the country, during the absence of specie, was urgent, and the opposition from the Country Bankers to giving any security so powerful, that he abandoned the measure, contenting himself with a compromise, in carrying a financial one, namely, by laying on a heavy stamp duty on re-issuable notes!

No other plan, I believe, was agitated until 1818, except that of additional duties on stamps—when, in consequence of the public alarm from the numerous

failures of Country Banks, Mr. Vansittart brought a bill into parliament requiring all Country Bankers to deposit the whole amount of their issues of notes under five pounds, in government securities—with many other obnoxious restrictions; and for which he proposed to allow the Bankers the interest of 3 per cent!!! No measure could have been more theoretical or impracticable. The minister, with that crooked policy so often fatal to open plain dealing, conceived in those distressing times, that by means of the popularity and expediency of his measure, in protecting the public from the depredations which had recently become so alarming, he could ingraft a financial measure of having the control over thirty to forty millions of stock, not belonging, but intrusted to Country Bankers; thereby hoping to relieve the depression of the public funds. This proposed bill instantly brought to town a cloud of nearly two hundred bankers, with an equal number of *proxies* in their pockets; the oppression and impracticability of the plan placed them on high ground. They met at the George

and Vulture Tavern, and framed, almost unanimously, a number of resolutions: among others were the following—

*Sir William Elford in the Chair.*

*Resolved,*—That the Country Bankers have been as punctual as any other class of commercial men in fulfilling their engagements.

*Resolved,*—That the powerful accommodations they grant to the commercial and agricultural interest, as well as facilitating the punctual collection of taxes, entitle them to the support of Government, instead of being unjustly marked as undeserving the public confidence.

*Resolved,*—That such interference would be a dangerous precedent, tending to overturn the whole system of private credit, individual responsibility, and free commerce.

In the two last of these resolutions this powerful body was undoubtedly right. The minister was glad to get out of the scrape, and withdrew his bill, contenting himself, I believe, with another addition to the duty on stamps!

The alarming extent of pressure from scarcity of money lately experienced, gives every reason to expect that a forced circulation of notes will not fail to be continued; and the total exclusion of gold and Bank of England paper does in my opinion peremptorily require the earliest interference of the Legislature. The Public are unanimous in the necessity of some measure being adopted; but on examination it is found so surrounded with difficulties, that few are agreed as to the remedy. I should deem it presumption to imagine I could point out a plan to reconcile the policy of Government with the interest of so powerful, and in most cases so respectable a body of men as the Country Bankers: however, the extended misery which is now so often brought home, from the fireside of the saving and industrious poor, to the more opulent members of the community, nay, to all descriptions of persons in the country, demands the attention of every thinking man. I therefore hope I shall not be charged with vanity, in the attempt of suggesting a plan for the amelioration of a system fraught with such extensive calamity.

The first principle which presents itself, is well known and allowed by all statesmen and men of business; namely, that the utmost possible extent of the circulation of specie, or of notes, that it would be prudent for the chartered Bank of England to issue, is not probably half the circulating medium necessary, for the financial, commercial, and agricultural demand of an empire, in which may be said to be concentrated the enterprise and industry of all Europe.

The next consideration for the attention of the Government and the Legislature (for it is their affair), is how to provide, with safety to the Public, for this indispensable surplus of the circulating medium. Many reflecting and well-intentioned men are for ever filling the columns of newspapers with descriptions of the advantages and security of Scotch Banks: the noblemen and persons in the first rank of society in Scotland are stated to be shareholders; and I understand that money is advanced, and discounts granted, for a certain limited time, to merchants and others, proportionate to the extent of the business and the solidity of the appli-

cants. This is all very well where a man is known to some of the directors or shareholders of these Scotch Banks, and where it is easily ascertained if his business is thriving, and minute inquiry can be made whether his speculations be prudent, or his daily *haggis pudding* be too large for his income; but with respect to England, the immense scale of its commerce, enterprise, and agricultural industry, would render such primitive theories totally impracticable: and although the noblemen and great proprietors of Scotland, from benevolent motives, may grant their personal responsibility to these comparatively limited trading companies, it would be difficult to find men of the first class in this country to involve their responsibility in any establishments whatever; or be induced to conspire for the extinction of the respected Country Bankers, from whom they have received, and to whom they, their fathers, and grandfathers, have given, occasional assistance for nearly a century past.

We will now touch on another scheme which has often been submitted to the Public,—that branches from the Bank of

England should be established all over the empire. I am not in the secrets of that chartered body; but the first doubt I have, is, whether the Directors of the Bank of England would, or with safety could, consent to any such plan: if they did, they would require and justly be entitled to some important compensation from Government for the expenses and risk of providing such relief for the exigencies of the State, instead of being subjected to the heavy duty on stamps which is at present paid by the Country Bankers. To carry this grand monopoly into effect, ample security would be required from the distributors to whom this specie and Bank paper were intrusted for circulation; none but men of property could give security in the various cities and towns of the kingdom, and such men would expect to be well remunerated. All this being settled,—what are they to receive in exchange for their specie and notes? Will they allow their agents to take the personal security of the farmer and tradesman,—or will they lock up their money on the deposit of title-deeds, or joint bonds, as is done by Country Bankers,

who from their local knowledge are induced to grant temporary assistance to the agriculturist, the merchant, and to all others in their respective lines of industry?

I will also ask, if these new appointed branch Bankers, destined to supersede 7 or 800 men of business in the country, who have devoted their lives to that object, intend, as the latter have done, to accommodate the Public at a trifling expense, in the management of the multifarious intricacies of stock transactions respecting wills, survivorships, probates, and numberless other intricacies in the transfer of property, which, without their experience and assistance, would require the employment of two or three additional attornies in every country town, where the inhabitants think they have already quite enough?

In short, such scheme, in all its bearings, I consider to be wholly impracticable; and that the promoters of the plan would be among the first to raise an outcry against so dangerous a monopoly.

I recollect a third scheme which was proposed at a period of great exigency

(under no other circumstances would it appear credible), namely, that Government was to furnish a circulating medium for the country, by the issue of exchequer bills of one and two pounds, bearing no interest: they had in France assignats, and they have in Spain, Russia, and in most of the countries subject to the Holy Alliance, Government bills so low as five shillings, which are more or less at 30 to 60 per cent discount:—a notable scheme for Old England!

It is very probable, that many other projects, equally plausible in theory, have, within the last thirty years, been suggested as remedies against this daily increasing calamity; but I conclude, from the clashing of contending interests, they as well as all others have been abandoned in despair.

However unworthy, as statesmen, the conduct of Mr. Pitt and Mr. Vansittart may now appear to us, by having abandoned a measure of such vital importance to the internal policy of the country, it must be recollected they lived at a period when taxation was required to be carried

to its utmost stretch; and that any diminution of revenue, even under the most urgent circumstances, was then become impracticable. It was therefore from the impossibility of foregoing the revenue from the stamp duties on Bankers' promissory notes, that every remedy to the existing evil fell to the ground; and every human invention for this object must ever fail, whilst ministers continue to supply a circulating medium accompanied with a tax on its distributors.

Happily, at this moment our ministers are enabled to adopt a more enlightened policy; and it is for their consideration, if, under such urgent necessity, it be not more important to the Public, to forego a revenue of a hundred thousand a year on Bankers' stamps, than by granting relief to almost any other object of taxation. As it now stands, the repeated additions which have successively been made to the stamp duties on this circulating medium, can no longer be viewed in any other light but as a bonus to Government from the Bankers, for the privilege of inundating the country with their promissory notes, which in too

many instances have been issued for the sole purpose of defrauding the Public! To men who have acted on this principle, it can be of little importance if they pay to Government 5 per cent duty on their notes, or 10 per cent, as they still will have 90 per cent left for their pious intentions.

All men of observation and experience are now unanimously of opinion, that some security is indispensable to be given on those promissory notes, which are thus become the exclusive circulating medium throughout the country. To carry this object into effect, ministers must not subject the Country Bankers alone to the tax of licenses, stamps, and other exactions in business, from which commercial men are comparatively exempt. If the Government think these Bankers best adapted to fill up the deficiency of the circulating medium, they are bound to offer them every encouragement and exemption, to enable them to give security to the Public, in furnishing a circulating medium, which cannot be dispensed with: they should no more be impeded in effecting this national object, than the

agents of Government or of the Bank of England would be, if they were employed in discharging this duty; for I will, before I close this Letter, bring proof, that the fair and legitimate Country Banker, subject to the duty and other charges he at present pays on the issue of one and two pound notes, or in future may pay on security notes, can derive but a very limited profit or advantage beyond that of their affording him a facility in conducting the other objects of his business;* and I feel assured, that the greater part of the Country Bankers, who are men of property and integrity, will not again suffer their characters or independence to be shaken by the panic and caprice which periodically occur, if such limited profit from the issue of promissory notes is farther curtailed by any tax or impediment from Government whatever. The capital of opulent and regular banks is not wholly derived from the circulation of their minor notes, as is imagined by superficial observers; they will give up the issue of them, and astonish the

* See Appendix.

country gentlemen by the sight of a few sovereigns and Bank paper, leaving the course free for those who have an object in "*flying kites*," and in exposing themselves to the effects of "*running matches*."

Let us, however, avoid levity. I am well aware that in the view of political economists, it is of little consequence to the Public from what channel an article of commerce is derived, provided it be in demand.

If a cargo of figs or raisins arrives at a port, it can be of no importance to the consumers if the profit be made by Mr. Brown, or by his rival Mr. White; all this is evident; but as my object is to confine myself to one point, namely, that of submitting my humble opinion on the best and safest plan for the protection from ruin of the industrious tradesman, as well as the poor labourer, whose only saving consists of a solitary one pound note, I think it of more importance than the political economist may wait to consider, whether the occasional wants of commerce and agriculture be provided through the excessive and forced issues of "particular

banks," or from those of their neighbours, who are always determined to *see their way clear* before they are tempted to extend the line of prudence in the circulation of their notes: the excessive issues of the former have often recoiled in bankruptcy to both issuers and receivers, and the precautions of the latter may have possibly often proved a check for the preservation of all parties.

It must be a sanguine mind which can hope for success in reconciling the widely opposed interests of high prices and low prices, whilst it is evident that the whole question really rests on the redundancy or scarcity of the circulating medium, be it bullion, gold, silver, bank-notes, promissory notes, or tokens; and a man must not be less sanguine to expect that any Chancellor of the Exchequer will willingly abandon a source of quiet and easily collected taxation without a struggle. However, as it is the duty of every man in prosperous times, as well as in bad times, to endeavour to keep Old England where she is, I will now come to the restrictions, which, for the safety of

the Public, and for the respectability of Country Bankers, I beg leave to offer for consideration.

1st, That, for the protection of the Public from the ruinous consequences which have so frequently attended the failures of Country Banks, a security be deposited with Government to the amount of two-thirds the value of all re-issuable notes under five pounds.

2dly, That the Government shall consent not to derive any benefit, or suffer any loss, on any description of the securities lodged with them; but that the interest accruing from stock, bonds, and all other property, be at the disposal of the depositors, as is done with the dividends at the Bank of England; and that every security, when deposited or redeemed, shall be delivered up or transferred in its original state, without any charges whatever.

3dly, That all security notes shall receive the Government stamp as is now done, but to be free from all duty, or expense of any description.

4thly, That above all, for most obvious

reasons, it is indispensable that no forms or delays be permitted to interfere with the immediate redemption of all or any part of the securities deposited with Government, any more than are experienced in the sale or transfer of stock at the Bank of England; and that the only proof or voucher necessary to claim such deposits be, that of presenting to the commissioners of stamps such portion of the security notes on which the depositors claim redemption, and which are then to be cancelled in their presence.

I now come to the description and nature of the securities required to be deposited. The only principle on which security is required, is that of protection to the Public, and to that object only it ought to be confined: consistent with that basis, every possible accommodation should be allowed to enable the depositors, with the least inconvenience to their concerns, to comply with the obligation. On the transfer of stock, the deposit of exchequer bills, India bonds, or any Government securities, on which it be agreed the depositor is to receive the interest and dividends, no ob-

servation is necessary. I next propose, that all freehold and leasehold security in lands, houses, or other property of that description, be accepted at 10 or 20 per cent under the value estimated by sworn surveyors.

It also becomes a subject for discussion, whether for a limited portion of the deposit, say one quarter, approved joint personal security should be admitted, as is done by Government in behalf of the county receivers of the national taxes.

In short, it is most indispensable that every facility should be granted to enable the depositors, with the least possible impediment, to enjoy the free circulation of their capital, whilst it is consistent with public safety; and that whenever their security notes should, from public panic or pressure of the times, be returned to them, they may be as instantly converted into money, as if the deposit had been invested in the stocks or any other tangible security.

Without this regulation, it would be impracticable for any man of business to make the deposit required. The object of Bankers is to employ the capital derived

from the circulation of their notes, and other sources, which capital is known from sad experience not to be immediately tangible; for if a run against them took place, they would not only be exposed to the present difficulty of suddenly providing for payment of their notes, but would also suffer an additional pressure, by having also two-thirds their amount locked up in the hands of the commissioners; thus requiring in fact a double capital.

As to the promissory notes of five pounds and upwards, I believe it would be impracticable in the country to go to the length of making them security notes. It is evident that these notes do not often get into the possession of the ignorant or poorer classes, for whose protection the security proposed is chiefly intended; and with respect to the men in business, into whose hands they pass, they have the same means of forming their judgment of the credit and responsibility of the Bankers who issue them, as they have respecting their other transactions in trade; having also the option, which they do not now

enjoy, of refusing them, by requiring security notes.

On this subject there appears a choice of difficulties: Mr. Vansittart, I understand, introduced in his bill a clause giving the Country Bankers the option of making their notes of five pounds and upwards, security notes or not. This "option" is evidently most objectionable on every fair ground; for if a bank issued this description of notes without a security stamp, their credit would immediately be called in question; and if they issued them with the security stamp, it could not be expected that the quantity of their circulation would be adequate to the demand of the Public. On this ground it appears to me impracticable, whilst the circulation of specie is so insufficient to the wants of the Public, to interfere with the liberty of circulating notes of five pounds and upwards; and on this description of notes it is but fair that the stamp duty should remain.

There is one doubt which presents itself on this difficult subject. It is possible,

that, by requiring these security notes, the circulating medium may be so much diminished as to cause great inconvenience to the trading and agricultural classes. It has been said, that London being the seat of Government, and its transactions so immense, all the circulating medium of the precious metals and of paper, which can, without restrictions, be prudently supplied for cash payments, is required for the metropolis, and some particular counties which issue no promissory notes. I see no reason why London should engross all the gold currency, exchequer bills, debentures, and Bank of England paper, or why a jealousy should exist against a part of it finding its way for the circulation of the country at large. If a fair proportion should be applied to that purpose, and Government would considerably increase the quantity of silver coin, it would tend to relieve the necessity of minor notes, and render us less liable to an over-supply of the circulating medium; by which, I am convinced, we should in town and country find less encouragement for embarking in wild and ruinous speculations, and both

enjoy a more healthy state. The precious metals, from being more dispersed, would not be so easily collected for export on every variation of the foreign exchanges; or the Bank of England paper be so liable to be exchanged for gold, whenever a panic arises, or confidence is shaken.

If the Bank of England cannot with prudence extend their discounts or issue of notes, adequate to the wants of both town and country, I do not perceive it follows, that the provincial intercourse should be carried on exclusively through the issues of private Bankers; for we all know, that in the distant parts of the kingdom both gold and Bank paper are so assiduously collected by the distributors of country paper, that a sovereign is as rarely seen as a swallow in winter, and a Bank bill as a woodcock in summer! Let the London Bankers, whose responsibility is generally reported to be greater than that of Country Bankers, also issue their promissory notes; they can easily cross the street to the Bank of England, to meet a run when it occurs; whilst the Country Bankers are occupying all the mail coaches

to bring home sovereigns in time to stop the torrent. By these means the pressure in times of scarcity would not be so severe; nor would the minor country notes be the only dependence of the tradesman and the farmer, as is now the case.

I am aware we here touch on ticklish ground; this measure is prohibited by the Bank charter, and good faith must be observed: but why ought not the Directors of the Bank of England, for the benefit of the kingdom at large, to concede this clause in a charter, which in a few years will expire? and the wisdom of the Legislature may then enact what is necessary for the public welfare. Chartered companies are venerable for their antiquity alone. In their origin they were indispensable for all large commercial operations, and for the protection of trade, which private individuals had neither the means nor abilities to carry on; but in modern times, when "men have become wiser than their teachers," the enterprise, talents, and capital of single individuals leave all monopolies at a distance, and the only way to ruin an establishment through

its own incumbrances and expenses, is, to obtain a charter.

I will now beg leave to make a few observations on the proposed restrictions, the outline of which has been classed under four heads.

First, with respect to the deposit. There are many who, looking only at the surface, will not be satisfied unless the whole amount of the re-issuable notes be secured to Government. There are others who consider the country will be sufficiently protected if half the amount only be deposited, thinking that the responsibility of the parties who can afford to carry on the banking business under the new system, may be deemed sufficient for the other half. I have taken the liberty to suggest a deposit of two-thirds the amount of the security notes, deeming it a reasonable consideration towards the protection of the Public, and not going too far in locking up a capital, with which the Country Bankers would be enabled to assist the tradesman and the agriculturist. In all commercial and money transactions there is some risk. The price of stock and other

Government securities, of produce, of land, and all commercial property, is subject to depreciation and loss. We have heard it asserted, that Bank of England paper has been at a discount, and we have lately found exchequer bills at sixty shillings discount. Why, then, must we insist that a circulating medium, supplied by the Country Bankers, should be exempt from all possibility of risk? It is to be hoped that a deposit of two-thirds of the amount of their minor notes will drive back many of the establishments formed only for the forced circulation of their paper, to the shops, offices, and farm-yards, from whence they ought never to have emerged, and consequently the personal responsibility of regular and respectable Bankers will become of greater importance, and the issues of their paper be entitled to greater confidence.

With regard to the second and third clauses, that Government shall pay over to the depositors all dividends or interest arising from the deposits free of expense, and that the security notes be given free of all stamp or other duties, I think it has

already been proved, that on security being required, it must be found totally impracticable for Government to continue any stamp duty, expense, or tax whatever.* If Government should think proper to try the experiment of any of the numerous schemes which have been suggested, they not only would be obliged in those cases to abandon all stamp duties, but would incur heavy expenses in the distribution of a circulating medium through the kingdom; except on the plan of Scotch banks, which all men of experience must be convinced, although they may work well in Scotland, would never suit the immense commerce and enterprise of this country; nor would it be adapted to the taste of men of property here, to become shopkeepers, by lending their names and responsibility to any mercantile concern whatever. If, then, the stamp duty on minor notes, be it 100,000*l.* a year, more or less, cannot be expected under any plan, wherein the Public shall be protected, why should the Government hesitate to relin-

* See Appendix.

quish it in favour of the Country Bankers, under the condition of the security proposed? for I contend, that it is on this question alone, that a protection to the Public from the depredations of designing men has been so often brought forward, and so often abandoned.

The fourth and last clause has been already dwelt on. It would not be too arduous a labour for the commissioners of the stamp duties to be in daily attendance to receive the report of the securities lodged, and if approved, to grant a warrant for the delivery of the security stamps, or to receive the tender of ten or twenty thousand returned stamps, and immediately transfer or deliver up the securities deposited. It requires no argument to shew the necessity of despatch in this last transaction, as on the delay of a day may sometimes depend the safety of an establishment at a period of severe pressure.

An intelligent theorist, who appears to be an advocate for free trade, says, he sees no difference, when a Banker issues promissory notes, whether he takes the security of lands, houses, farmers' stock, or joint

personal security, or whether he places the money in the public funds; for that a fall of stocks, or the depreciation of the value of other securities, may equally make him a bankrupt. I think, on reflection, he will perceive a most important difference to the Public, whether this capital be employed in giving activity to the operations of the agriculturist and tradesman, or that it be locked up in the funds; and I believe the Bankers also perceive a difference, although perhaps from a different principle; the farmer and tradesman pay him 5 and the funds not much more than 3 per cent. As this discussion is rather foreign to the subject before us, we will no longer dwell on it; but it does not appear to have occurred to this writer, that the Bankers who have caused all the mischief have never benefited the Public in employing the capital created by the forced issue of their notes, in lending it to farmers, or have buried it in the stocks. Instances have happened wherein it has been applied, first, in paying off their own private debts, against which they had ever struggled until they became Bankers; next, they turn

gentlemen, living in a style of expense which they never before could have attempted, or even dreamt of; and with the remainder of this golden harvest, they embark in building houses, gambling in shares, and other speculations, which, if in the lottery of chances they happen to turn out successful, these Bankers consider themselves excellent men of business; but should the reverse take place, the Public receive a dividend of two shillings and sixpence in the pound, as a reward for their delusion!

I will now submit a few observations to the respectable body of Country Bankers at large. It has been stated to be a great hardship and impediment to the free circulation of property, that two-thirds, or any other proportion of their capital should be locked up in the hands of commissioners, whilst all other men of business are allowed the utmost freedom of trade, and enjoy that degree of commercial confidence to which their neighbours deem them entitled. This argument would have its weight if the commodity they dealt in was one which it was optional with the Public to use or not; but it now happens

that having exclusively the command of the circulating medium, they leave no choice to the poor labourer and the lower classes of society, who are thereby often reduced to the situation of lamenting over their only property, namely, a useless one pound note. It is also evident that two-thirds of the respectable Bankers' capital is not locked up by this security bill; the notes of five pounds and upwards, which circulate among men of business, are not on this plan proposed to be made security notes; nor do their interest notes, cash balances, or any other deposits, suffer from this restriction. I should be sorry that this deposit should form even one-quarter of their capital—and they should not forget, that by their issuing to the Public these security notes, two obvious advantages would follow: first, that it would considerably tend to strengthen the general confidence in the solidity of their firms, and thereby increase their balances, deposits, interest notes, &c.&c.; and secondly, decrease the list of their rivals in business, whose principal object has been that of raising the wind by an indirect circulation

of their notes. Thus, Country Banks would once more become respectable establishments; and we should no longer see, as a noble Peer once said in his place in the House of Lords, "that in passing through any town or country village, if by chance he noticed on one side of the street, an inn with the sign of the Great Mogul, or Red Lion, he was sure to observe on the opposite side, the word *Bank*, in gold letters, placed over the door."

It is in vain to expect that any public plan, however urgent, can be introduced without meeting with much opposition. Those whose attention is solely fixed on high rents and high prices, join the Country Bankers, under an apprehension that the adoption of security bills will so much diminish the circulation, or produce what is called so great a scarcity of money, as to make a material change in the value of their property, and also impede the enterprise and manufactures of the country, which enable us to pay the taxes, and give us our ascendancy over all the world. The object or limits of this letter will not permit me, at present, to enlarge on this im-

portant subject; but I see no well-grounded apprehension, that the restrictions proposed would produce such consequences, beyond a salutary extent. Respectable private firms would, for their own reputation, as well as for the convenience of their customers, issue a necessary quantity of this circulating medium. I admit we should not again hear of individual establishments which have issued 300,000*l.* or 400,000*l.* in small notes, nor should we probably again see the period, wherein even Bankers, who conduct their business with prudence, could not make beyond 2 to 3 per cent interest of their capital, which has occurred within the last two years; but if the metallic currency was much increased, and if, perhaps, silver coin made a legal tender for fifty pounds, instead of five pounds, I am of opinion that, with the moderate assistance of security notes, we should have a sufficient circulating medium for all beneficial purposes; for otherwise I should be at a loss to comprehend how it is that no difficulty is experienced in the immense territory of France, where they have no notes of any description, public or

private, under five hundred francs. It is most evident that no scarcity can in its effects become so dangerous to a country as the over-redundancy of money, created at pleasure, in the paper manufactories of the Country Bankers. Is it to be suffered, that these gentlemen shall possess the power to cause an artificial rise of every article of consumption or produce, when in two or three years after, from the same causes which have so often occurred, the same convulsions inevitably must follow, and fall, with renewed force, on every class of society—producing a sudden depreciation of every description of property?

I am not aware that we should be less liable to such fluctuations, if chartered banks, joint-stock companies, or a board of commissioners, were to supersede Country Banks: they would trade to the extent of their capital, and not be exposed to the only check which prevents private Bankers from increasing still more their present issues,—namely, the fear of a run against them; whilst these bodies of monopolists, from their known responsibility, would feel no such apprehension; and it would remain

to be proved if they would not be as eager for profit, from a too extended circulation, as the present men have been. If to counteract this danger they should be under the "surveillance" of Government, any future minister, in times of public necessity, may so extend the circulation of paper, that gold and silver would disappear, as we know has frequently occurred in foreign countries. I am also not convinced, that these chartered companies would meet with many very willing customers; for where is the country merchant or trader, if he could avoid it, who would consent to have his private transactions discussed and canvassed by all his neighbours in office, who may be disposed to pry into them?

Another fact experience has long proved —that most chartered or joint stock companies are broken down by the expenses of directors, managers, agents, clerks, &c. &c. These last gentlemen would soon be the only parties who would not be tired of remaining shareholders; for I am informed that, even with Scotch economy, such are the expenses of management and agency

among our northern brethren, that the shareholders in their Banks often find a dividend of 2 or 3 per cent to be the utmost extent of their profits.

I shall now conclude, trusting that both the Government and Country Bankers will find a mutual interest in securing a protection to the middling and lower classes of this kingdom, to which the public attention is now fixed, and is, on every principle of policy and justice, become indispensable; but if the former think it can be effected, and still remain an object of public revenue—or if the latter, following the outcry about the freedom of trade, and of private confidence, should instruct their representatives in Parliament to oppose any security or restriction whatever, I fear nothing can be done, but that the evil will, by frightful strides, go on increasing.

# APPENDIX.

On calculation of the profits arising from the circulation of 1000*l.* in notes of 1*l.*, which notes, on a fair estimate, we will consider to last eighteen months,—a part may be fit to circulate for a longer period, but a great proportion becomes so defaced and worn out as to require cancelling in a much shorter time.

| | £. | s. | d. |
|---|---|---|---|
| The extreme profit, even at 5 per cent, and supposing these notes to be in constant circulation, which is never the case, would be in eighteen months ..... | 75 | 0 | 0 |
| DEDUCTIONS. | | | |
| Cost of stamp duty at 5*d.* on each note, loss on spoiled stamps, banking licenses, clerks, rent, &c., at least 2*d.* more, making 7*d.* on each one pound note .... | 29 | 3 | 4 |
| Paper, engraving, printing, postages, risk of forgery, &c., say 1*d.* ..... | 4 | 3 | 4 |
| Carried forward..... | £33 | 6 | 8 |

| | £ | s. | d. |
|---|---|---|---|
| Brought forward..... | 33 | 6 | 8 |
| Interest on the above sum of 33*l.* 6*s.* 8*d.* eighteen months ..... | 2 | 10 | 0 |
| Interest on the money a prudent Banker must keep ready to meet a run, or even the common fluctuations in the demand for his notes, say only one quarter of the 1000*l.* in circulation, viz. 250*l.* eighteen months ..... | 18 | 15 | 0 |
| | £54 | 11 | 8 |

So that the utmost possible profit reckoned at 5 per cent, not taking many other drawbacks into consideration, a Banker can derive, on the issue of 1000*l.* in his 1*l.* notes, is 20*l.* 8*s.* 4*d.*, or, if he issues 50,000*l.*, is 1002*l.* in eighteen months, or about 670*l.* a year, to be divided amongst all his partners!

I believe above half the Country Bankers have never taken the trouble to make this calculation, otherwise it would be a matter of surprise to me that respectable men, when public confidence is shaken, should consent, from the circumstance alone of having issued these one pound notes, to become the subjects of the censure and suspicion of every ale-house politician, or to be exposed to the heavy sacrifices which at such periods they must incur,

from having to provide instantly to meet the run; whilst experience proves, that of 50,000*l.* advanced to their customers, not one-tenth part can be called in for weeks or even months after such run has occurred.

I think we can require no stronger evidence to prove, that with the above-stated duties and expenses, making together 75*l.* per cent on the issuing of these promissory notes, it becomes totally impracticable to add a security stamp on two-thirds, or any portion of their amount: either the one or the other must evidently be given up.

Prior to the year 1796, when the Bank restrictions took place, neither the Bank of England or private banks issued notes under five pounds. Perhaps the increase of population and commerce since that period would make it now difficult to provide a sufficient gold circulation for the necessary wants of the Public; but I should like to see our gold and silver currency double its present amount, as is the case in France, where their internal commerce bears no proportion to ours, and where no Bank bills are issued for less than 500 francs; or, if that is not practicable to the extent required, I humbly submit, that the Bankers of London be also included in the honourable privilege of circulating promissory

notes; by which means the country at large may enjoy the satisfaction of sometimes seeing the current coin of the kingdom.

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P.S.—Since this Letter has been sent to the press, I see from a newspaper that an eminent Baronet, who I trust is not so much a theorist in agriculture, as in my opinion he appears to be in banking transactions, has published a plan by which he proposes to provide against all the difficulties which have puzzled our statesmen and merchants for the last thirty years.

If I comprehend the outline, which is stated to have been previously proposed seven years since, his plan is to establish in London, "two" *Corporation, or Chartered Companies.*

The first, to be composed of seven commissioners, who are to be empowered to grant licenses to Country Banks, consisting of any number of associates; on the condition of their giving a deposit of landed, funded, or personal security, for the whole amount of all the notes they circulate; on which they are to be allowed an interest of 3 per cent!!

The second Chartered Company is to be named, the *Great Corporation, or London Bank;*

who are to be allowed to circulate their notes in the country, and correspond with such country establishments as choose to employ them.'

This outline of the honourable Baronet's plan appears to me more Utopian and impracticable than any of the schemes I have hitherto heard of. I have before observed, that in modern times, when the liberty of free trade is so much contended for, the good people of England would not be over attached to an increase of Corporate Bodies, or Chartered Companies, nor to any schemes wherein power and patronage appear to be the most prominent features. Here we are to have, first, a Chartered Body of seven Commissioners, whose labours are to consist in granting licenses to Country Bankers, and in receiving deposits equal to the amount of their promissory notes: they, if I understand him correctly, are likewise to controul the issues of these notes, to prevent the circulating medium from being too redundant, or too depressed.

Now, as to their first duty, it will be found that every Country Bank, and every Branch Bank in the kingdom, already takes out a Government license, for which each pays thirty pounds. If, as is the honourable Baronet's favourite plan, the licenses are to be extended

from six to sixty, or any number of partners, it must be decided by the Legislature, without a necessity of seven Commissioners to carry it into effect: nor do I perceive the utility of having a Chartered Body for receiving deposits, &c. &c. I have already proposed that the Commissioners now at the Stamp Office may be deemed as fully adequate for receiving and deciding on Government securities, authentic certificates of the value of lands, or of approved securities, as any new-invented Chartered Company established for that purpose.

It appears also, that one of these Chartered Bodies is to have a controul over the quantity of notes to be issued by each Country Bank. Now, I contend, for evident reasons, that this would be a dangerous power placed in the hands of any body of men whatever. The best protection to the Public, I consider, will be that of requiring security on reissuable notes, when there can be little danger of a too redundant circulation, as nothing could better meet the views of Government than a circulating medium to any extent, derived from such sources.

The second proposition, of forming a Chartered Body, or great Corporation, which is to be called the London Bank, is still more visionary than any scheme which I have yet seen proposed.

'*This London Bank* is to be allowed to circulate its notes *in the Country*. It appears to me to be little more nor less than the establishment of another Bank of England under a different name; which, I believe, it would be no easy task to persuade the good people of this Country to encourage.

This new Establishment is also to become a kind of Commander-in-Chief, with whom all the Country Banks are allowed to correspond if they choose:—it would become a great Corporation indeed! It first occurred to me that the South Sea House being little used, would be a very proper situation for the transactions of this London Bank—but I am sure it would be found by far too small a building: they would employ all the spare clerks of the Bank of England and other Establishments, to carry on the colossal correspondence with eight or nine hundred Country Banks, as well as to distribute their notes for country circulation: but I fear this Imperial Concern would be soon tired of their country customers, who are under the necessity of making daily such numerous minute inquiries and applications on various transactions, as would soon induce this Metropolitan Bank to desire their friends to close their accounts.

I confess I am no advocate for more Chartered Banks, Branch Banks, or Chartered Associations, for the purpose of making experiments, which I am convinced would be found impracticable, or insufficient for the purposes required. Leave the management of the country circulation in the hands of those who have so long conducted it to the satisfaction and benefit of all classes of the community, with the exception of a few fraudulent Establishments, which can no longer exist when security is required:—Let the Government increase the coinage of gold, and above all, that of silver:—Let them relieve the Country Bankers from all incumbrances of stamp duties, on their minor notes, licenses, and all impediments to the distribution of a safe and free circulating medium, and I feel satisfied we should no longer experience on the one hand a pressure from a want of a currency, or on the other hand run a risk of too great a redundancy of what passes for money.

THE END.

London: Printed at the Temple Printing Office,
BY J. MOYES, BOUVERIE STREET.

A

# LETTER

TO THE

## RIGHT HON. ROBERT PEEL, M.P.

&c. &c.

UPON THE NECESSITY OF ADOPTING SOME

## PARLIAMENTARY MEASURE

TO CONTROL THE ISSUES OF

## Country Bankers,

AND TO PREVENT THE RECURRENCE

OF THE

## LATE SHOCK

TO PUBLIC AND PRIVATE CREDIT,

WITH

## THE HEADS OF A BILL

FOR THAT PURPOSE.

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SECOND EDITION.

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*LONDON:*

PRINTED FOR J. HATCHARD AND SON, 187, PICCADILLY.

1826.

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# LETTER,

*&c.*

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SIR,

I make no apology for addressing the present letter to you upon a subject connected with a branch of public affairs in which you have so eminently distinguished yourself. Although measures of finance may more properly belong to another department of the administration, your particular study of the currency of the country, and the successful result of some of your early measures, must naturally suggest your name to any writer, who deems it his duty to recommend new means for upholding that system of the circulating medium which your bill in 1819 so happily restored.

I feel persuaded, Sir, that you have not been an indifferent observer of the recent occurrences in the commercial world. I am convinced, that so much extensive mischief, and I may add, so much needless ruin of many large capitalists;

and still more, so much private calamity in large districts of the country, from the failure of insolvent firms, must have appealed very powerfully to your feelings. It must, I think, equally have become impressed upon your mind, that great interests have been seriously affected by the late events and their consequences; and that it is therefore a public duty to adopt some precautionary means against their recurrence.

In entering upon my present inquiry, I will not trouble you, Sir, with a long discussion of the causes to which the late events have been ascribed. But as the object of this letter is to show that the most efficient remedy is within the power of government, it becomes necessary to premise a few words to establish the fact (scarcely indeed doubted), that no part of the late extensive mischief can be attributed either to the negligence, or absence of foresight of the king's ministers.

As far as regards the government, it can manifestly have had no share in such consequences, unless it has encouraged that peculiar species of currency which has been principally affected; or unless it had originated any such course of measures, as have necessarily led either to an unusual demand for metallic specie, or to the circulation of an excessive quantity of paper. But what, under either of these heads, can with any candour be imputed to government or to its

measures? Perhaps at no period whatever has our finance stood upon a more solid basis. The system of our currency, so far as it was within the control of the state, has long rested upon its old established standard; and as it is composed of coin and paper, has long been under the proper check of each being maintained in its due proportion, upon the principle of convenience on the one hand, and convertibility into coin on the other. By the existing law, no debt can be legally discharged if the creditor should dissent, except in the coin of the realm. As regards the standard, gold has been continued in preference to silver, as tending to counteract the effect of the more fluctuating price of the latter metal. Under this standard, all prices are measured by gold; silver being only employed as the means of expressing the fractional parts of the current gold coin. No state events, no subsidies, no public transactions, at home or abroad, have tended to derange the natural order of our circulating medium. It must, indeed, be allowed, that the recent system of free trade has greatly enlarged the commerce of the country, and led to an extraordinary increase both of imports and exports. But it must be equally acknowledged, that this enlargement of commerce is, in itself, an unquestionable public good, being, in other words, an augmented source of profit, and an extended means of pouring new wealth into the

country. If the imprudence of merchants have pushed this opportunity beyond the compass of their own capital; if they have too eagerly and precipitately availed themselves of these occasions, the error and its consequences necessarily belong to the abuse of a good measure, and not to the measure itself. In a word, it would be impossible to find any thing in the conduct of government, or in the natural and proper tendency of their measures, which could in any degree contribute to the late disasters.

But as I am fully satisfied that no person of any candour or judgment can adopt this censure against the king's ministers, I shall proceed at once to the consideration of the subject before me, in its due method. This subject appears to distribute itself under two heads: First, what have been the causes: Secondly, what appear to be the proper and efficient remedies.

The first of these causes appears to have been the great redundancy of capital in the early part of the last year, and in such a consequent reduction of the interest of money, and in the rates of profits, as induced those possessed of it to seek for extraordinary means to employ their accumulations; and, under the avidity of gain, to embark in every perilous venture proposed to them. It is totally unnecessary to insist upon a fact now universally admitted. It is notorious that, under this abundance of money, the rate of interest in

the spring and summer of 1825 did not exceed three or three and a half per cent., and that bills of high credit and short dates were discountable in the market at a much lower rate. In a word, money was so plentiful, that, consistently with security, there was no competition in the demand proportionate to the supply. The bankers were more ready to afford discounts than the merchants to solicit them. The best notes, instead of being sent to the Bank of England, were carried upon the exchange, and there discounted at a lower rate. All government securities became affected by this character of the markets; Exchequer bills, yielding only two and a quarter per cent., were frequently sold at 50*s.* or 60*s.* premium, and the three per cent. stock rose very nearly in the same proportion.

The second cause, originating in the first, was the general spirit of speculation to which the state of the money market led. The first class of these speculations in order, if not in folly, were the loans to foreign states, and particularly to Greece, and some of the Independent States of South America. The loan for Mexico in the last year appears to have been 3,200,000*l.*; the loan for Greece, 2,000,000*l.* There were other loans at the same time, which, though more prudent as regards the event, equally tended to cause an exportation of specie from the country. I do not intend to assert that the greater portion of

these sums (I speak of the loans) will be eventually lost to the lenders; but they all had the same effect upon the general stock of metallic money in the country. Another class of these speculations was entirely of a different character. They were enormous ventures, and many of them have been as totally without any productive effect as if they had been cast into the sea. Such have been the numerous joint stock companies, of which every day in the early part of the last year saw the birth, and every day in the present period beholds the extinction. It was an entirely new feature, and a most unfortunate one in the greater part of these speculations, that they were foreign ventures, and made in remote colonies and kingdoms. It appears from the best information, that not less than 17 or 18 millions were thus withdrawn from the disposable capital of the country, and that the greater portion of it, if not totally lost, was at least rendered unavailable for purposes of present exigency. A third species of these speculations, although eventually of a character which may in a great measure redeem itself, has added very considerably to the present distress of the country; I speak of those enormous speculations in the ordinary branches of trade; such as cotton, silk, and other materials of manufacture. In cotton, in particular, this speculation was so excessive, that the price of the article rose within two months to 100 and 120 per cent.

In silk, there were most extravagant speculations in the raw material. Now it seems to be a necessary consequence of any unusual demand for foreign produce, that the excess of the demand must in all cases be paid for by a corresponding exportation of the precious metals. In the ordinary course of trade, the dealings of merchants are perhaps generally by barter; the export balances the import, and the accounts are settled by setting off one against the other. But where one party, under circumstances peculiar to himself and country, takes a great excess beyond his ordinary demand, he necessarily contracts a larger debt than his average exports will cover, and must therefore pay the difference in bullion, or in bills purchased by corn.

A third cause, necessarily proceeding from the two former, and thus at once following as an effect, and operating as a cause, was the epidemic diffusion of the same rage of speculation from the metropolis through the country, and the consequent participation of the provincial bankers in this spirit. As the profit of these bankers mainly consists in the extent of their issues, the greater portion of them require little other temptation to issue than a plausible opportunity of so doing. But this spirit of speculation no sooner reached the country districts, than an opportunity was most largely afforded. Every one now sought from the country banks the means to gratify the

spirit of gaming and speculation with which he was seized. Each presented his own bills, or accommodation bills from his neighbour, to an enormous extent for discount. These bills, as always happens upon such occasions, having no foundation in real transactions, possessed as little security in the actual, or at least available assets of the persons who negociated them. They were, in fact, so much money borrowed of the country banker; who, being himself infected with the like spirit of speculation, willingly discounted them on his own part, as the means of getting out his paper. It is evident, therefore, upon the very face of the matter, that this was a system of mere accommodation on both sides, and could be continued so long only as the country banker was enabled by new discounts to afford his debtors the means of taking up their former bills. There was, thus, a necessary end to the whole system when any circumstance of public or local panic should cause a run upon the bank. Both bank and speculators were then involved in one common ruin. The speculators fell, as having issued their own bills and accommodation paper beyond their means; and the banks were ruined as having issued their notes, as an accommodation upon their part, on such worthless paper. Indeed, with such a wild and imprudent spirit did the country bankers endeavour to push their notes out, that in many instances they gave pre-

miums upon paper brought to discount, or to be exchanged with them for their own notes.

A fourth cause, and, like all the preceding, equally a cause and an effect, was in a defensive measure employed by the Bank of England, towards the close of last year; I mean the contraction of its discounts. The Bank of England was compelled to adopt this course under the two-fold reason; first, that the speculators in the metropolis, bankers and others, were practising upon the Bank of England the same system, as regarded accommodation paper, which the speculators in the country had practised upon their local banks. The second, that the immense quantity of paper issued under this system had now begun to affect the metallic currency of the country, and to cause a large exportation of gold.

In the commencement of this mischievous spirit of speculative ventures, it was chiefly confined to real capitalists, and to an actual excess of capital. But being adopted by them as the means of gain, and the shares in every scheme being sold almost as soon as created, the same spirit of gambling passed to another description of adventurers; men of no means, or of insufficient means, began now to press the Bank of England, or their own private bankers, for discounts, either entirely new or new in their degree; and an immense quantity of paper had

thus got out before the true description of the bills was detected. As to the defensive measure adopted by the Bank of England upon the discovery of these practices, scarcely a word need be said. It is totally unnecessary to say that an excessive issue of paper displaces the coin of the country, and sends it abroad. Under such circumstances it became manifestly necessary for the Bank of England to contract its discounts, and to stop the effect by staying the cause; several minor causes confirmed this resolution on the part of the Bank Directors. From the autumn of the year 1824, the foreign exchanges had become gradually unfavourable to England. The Bank of France, in order to favour the new scheme of finance, that of converting its five per cent. stock into three per cent., had called in its advances upon French stock, giving its debtor the option of continuing upon its books, if disposed to pass into the new three per cents. As the low rate of interest in England rendered a loan to these French capitalists a lucrative dealing, there can be no doubt that large sums of money in coin and bullion were exported from England with this purpose. This foreign demand for bullion thus concurring with the effect of an excessive paper currency necessarily led to an enormous drain of specie; the one cause rendering bullion dear abroad, and the other rendering it cheap, because not wanted as

money at home. Hence the Bank of England began to suffer in this new course of dealing.—It grew to be a lucrative trade to procure its discounts for the purpose of procuring its specie. It became, therefore, a necessary defensive measure on the part of the Bank to put an end to a dealing of this kind, and to contract those discounts, which, almost as soon as procured, were converted into coin.

The fifth and last cause was in that state of things which necessarily followed upon the natural catastrophe of the greater portion of these absurd speculations. In almost all the Joint Stock Companies the shares fell 50, 60, and 100 per cent. and many of them began to be totally abandoned. Numerous speculators were, in consequence, ruined; and one or two country banks, that of Plymouth in particular, became insolvent. The known ruin of so many private adventurers, and the probable difficulties of the country banks who had discounted their paper, naturally led to a degree of demand upon them which was, in fact, the commencement of the late run. The country banks being thus pressed sought assistance from their London bankers; and these applications being at once numerous, urgent, and concurrent, created a pressure upon the money market in the metropolis. But this unusual demand for money happened unfortunately to concur with the

resolution and necessity of the Bank of England to contract its discounts. Hence, when discounts were most wanted, the great market for them was nearly closed. The London bankers themselves were now manifestly in great difficulties to supply their country correspondents. It was now notorious, and indeed was published daily in every morning journal, that the paper of the best houses was refused in discount by the Bank of England, and that the greater part of the London bankers could not procure it in the ordinary extent. The failure of Sir W. Elford at Plymouth was followed by Wentworth and Co. in Yorkshire, and the panic was extended, or rather carried to its height in London by the known difficulties of the firm of Sir P. Pole and Co. All that followed was a necessary consequence; seventy country banks stopped one after another, and there is too much cause to apprehend that a very large proportion of those establishments which remain are mainly indebted to a system of forbearance in their several vicinities.

So much for the causes.

It is evident from the above statement, that the first and principal of these causes was the excessive issue of the country banks towards supplying the spirit of speculation, or rather gambling, which had become epidemic; and, secondly, the enormous exportation of bullion

upon foreign loans and ventures for three successive years. As to the first of these facts, the excessive issue of country paper, it appears, from the accounts of the stamp-office, that the amount in value of country bank notes, calculated according to the stamps upon which they are issued, were, for the three years 1820, 1821, and 1822, as follows:

| | |
|---|---|
| 1820..... | £3,574,894 |
| 1821..... | 3,987,582 |
| 1822..... | 4,217,341 |
| Total for the three years, | £11,779,817 |

whilst for the three following years, 1823, 1824, and 1825, the returns are as follows:

| | |
|---|---|
| 1823..... | £4,657,589 |
| 1824..... | 6,930,367 |
| 1825..... | 8,112,290 |
| Total for the three years, | £19,700,246 |

For 1825, the amount, up to April in that year was £4,056,145, which, if assumed for half a year, will give for the whole year £8,112,290.

As to the second fact; the amount of foreign loans, lent by English capitalists, appears for the last four years to be as follows:

| | |
|---|---|
| 1822 ..... | £24,450,000 |
| 1823 ..... | 11,578,000 |
| 1824 ..... | 18,700,000 |
| 1825 ..... | 8,700,000 |
| Total .... | £63,428,000 |

It will not be contested but that this was a drain of specie, which, considering the shortness of the period in which it occurred, is totally unparalleled in the history of any other commercial country; and more particularly when so many millions were advanced to foreign borrowers, not upon the collateral security of our own government, as in the case of subsidies and state loans, but as private ventures, and upon a mere reliance on the good faith of the states and sovereigns so contracted with.

As to the general effect of the late occurrences upon public credit and the interests of the state, it can not admit a question, that such violent convulsions are necessarily attended with great immediate destruction to private property, and most serious consequences to the revenue of the country.

Amongst the numerous banking establishments in the kingdom, and particularly in the metropolis and large trading towns of the country, there is, unquestionably, a very large portion of them in a condition entirely solvent, and composed of the most respectable members; but is it not a matter of extreme hardship, that the imprudent, not to say dishonest, speculations of the less solvent establishments, should involve all in the same common danger, and that under the effects of a panic, at first local, but, from the sure nature of all strong feelings, becoming

epidemic, the whole system of public credit should be shaken to its base by concerns of such intrinsic insignificance? In a publication by the late Lord Liverpool, 'A Letter to the King, on the Coinage,' his Lordship appears to have foreseen both the certain occurrence of this mischief, and to have described its effects with great force and distinctness. Lord Liverpool there avows his opinion, that it had become necessary to adopt some regulation, and to institute some sufficient check upon the paper currency of the country.—"Unless this check be established," says his Lordship, "property must become insecure, and the circulation of the country will be subjected to repeated shocks, which must cause great public calamities, and much individual suffering. The evil of insecurity would not be a solitary or mere private evil. The repeated failures of private banks will give a shock to public credit, and the character of all paper currency will be affected by that of the most insecure. The system (public credit and paper currency) will thus be exposed to convulsions, which, both from a regard to the general security of the country (of the country banks, and the Bank of England itself), ought to be prevented."

I think, Sir, you will fully agree with me, that a paper currency is necessary in a country like England; and that whatever menaces its security,

or has a tendency to send it precipitately for liquidation at any one time, and under a sudden panic, is necessarily a great public evil. I shall not meddle with the comparative value of different currencies. If we were to begin again, I think there would be very little question, that a pure metallic currency would under all circumstances be the most efficient and expedient. The two arguments of theorists against it are, that no practicable quantity of metallic currency would be sufficient to carry on such a degree of commerce as exists in this empire; and secondly, the comparative expense of coin above paper. I think that neither of these arguments is satisfactory, and that both are well answered by experience and the practice of life and business. In France, the internal trade and consumption of the country, the greater population and larger extent of soil being considered, are certainly equal, or very nearly equal, to the same trade and consumption with us; yet, in France, a metallic currency, aided by the bills of exchange of merchants, is found adequate to all the demands of trade and commerce. The circulation of the Bank of France is very limited indeed, and it issues no notes of less amount than twenty pounds sterling. Again, when it is considered how often the same coin performs a thousand operations, and when it is remembered that the accounts of traders are in almost all cases mutual,

and are therefore settled by the payment of differences only, it is a manifest error in fact to assert, that the coin of the country need bear any very considerable proportion to its degree of trade and commerce. As to the expense of a metallic currency, I cannot but think that it is well compensated by the greater security. But this question, as I have said, cannot now arise in a country constituted as Great Britain actually is. A paper currency has existed amongst us so long, and by insensible degrees has rendered every thing so conformable with itself, that I consider it to be no longer practicable to depart from it as a system. Our national debt, the payment of the dividends, the state of our expenditure in war, the rents of lands, the rates of prices, have all, I think, become so gradually and insensibly affected by the peculiar nature of our currency, and are most of them of such an unyielding and inflexible description, that I should utterly despair of effecting any important change in our circulating medium, without incurring the peril of some mischief, which is perhaps still more to be dreaded, because less distinctly to be foreseen. If we add to this the immense increase of our imports and exports, and that traffic which has lately sprung up of extensive dealings in foreign securities, and the impossibility of conducting these branches of our trade by so cumbersome a medium as metallic money, I am

convinced we must resolutely adhere to our present system—that of a currency mixed up of specie and of paper, convertible into the coin of the realm at the will of the holder.

I shall assume it, therefore, as a conceded point, that it has become a most important consideration to adopt some immediate and efficient remedies which may obviate the recurrence of the late evil, and, by having this effect, may at once prevent much general calamity and a vast destruction of private property; and may secure from peril two unquestionably great public interests—that of our paper currency and the revenue of the state:

And this brings me to my second head, the consideration of the due remedies against the renewal of this great public and private mischief.

It is now generally admitted, that if the country banks, after the present panic shall pass away, be allowed to return to their former unlimited issues, the same mischief which we have lately seen, but in a far more extended degree, will in all probability recur. But let any one endeavour to form an adequate conception of what the effect may be, how far it may extend, and where it may terminate, if another general panic should first destroy a like portion of the country banks; and thence spreading to the metropolis, should occasion a run upon the Bank of England itself. If the foreign

exchanges had existed in a different state at the period of the late panic; or if there had been any backwardness or apparent difficulty on the part of the Bank itself; if the Directors (though not distinctly foreseeing the actual evil) had not most fortunately been employed for some months previously in accumulating specie and bullion and contracting their own discounts; in a word, if Bank of England notes had not existed in the highest degree of public credit, and if a most favourable state of circumstances had not given them a comparative superiority over coin, I am fully persuaded that the effects of the late panic would have reached the Bank of England itself. I can call to my mind many other circumstances which were both advantageous to the Bank and to the public during the late panic, and which, if they had not existed in our condition at that crisis, or had existed adversely to us, would have extended the ruin to a most fearful point. Let me suppose for a moment that the harvest of the last year had failed, and that large importations of corn had been necessary; that there had been no surplus fund in the hands of the Commissioners for the national debt, or that political convulsions of a menacing kind had occurred abroad, what might not have been the accumulation of difficulty and mischief at the period to which I refer?

I assume it, therefore, as an undisputed inference, that as it has become an object of the first

importance to prevent a recurrence of the same evil, we can only accomplish this end by establishing some efficient controul against the excessive issue of country paper. I need not insist to you, Sir, that it is in the very nature of all paper issues, and particularly of the issues of country banks, to become excessive. Without going into any abstract discussions upon the nature of money, every man's own experience and observation in the business of life sufficiently establish this fact. There are, indeed, two obvious causes which concur to produce this strong tendency of a paper currency towards excess—the interest of the country banker, and the convenience of the public. As the issues of the country banker constitute his profit, and as his trade becomes enlarged in proportion to his issues, he has always a strong motive to push them to the utmost possible extent. All his payments and discounts are necessarily made in his own notes; and for the sake of getting them out, and making a profit either by them, or by what he procures in exchange for them, he is induced to make purchases, loans, and mortgages, the imprudence of which, that is to say, the excess beyond his actual capital, he would in any other form of payment or loan more clearly understand. The public convenience equally co-operates with the banker's interest in extending these issues. Discounters, borrowers, mortgagers, and vendors in

general, are naturally enough contented with the money which passes current in the neighbourhood, and have a common interest with the banker himself in extending and upholding the circulation of the local paper. The banker, upon his part, will lend his paper where he would not lend his money; and they, upon their part, are willing to take paper which they can circulate as coin. It is in this manner that all local paper has a natural tendency to excess. A third cause, as you well know, Sir, renders this peculiarly the case with that portion of country paper which consists of small notes, such as one and two pounds. From its commensurate value with the circulating gold sovereign, the one pound note immediately displaces that coin. The two pound note has nearly an equal tendency to supercede the use of coin, from its like adequacy with the ordinary amount of daily or weekly payments in country towns and manufacturing districts. Under these concurrent causes, the effect, which we all see and acknowledge, is, that the coin of the realm, if not altogether disappearing in many country districts, certainly never exists in a sufficient quantity for public security, and, indeed, comes gradually into such disuse, and into such a kind of non-demand in all the transactions of trade and commerce, as, practically, to remove the only natural control against an excessive paper issue; that is to say,

the apprehension of the banker that such an issue will lead to a demand upon him for coin.

The question therefore is, what means can be adopted to control these over-issues, and to give the kingdom a secure paper currency; and particularly as to that species of country paper which has the strongest tendency to become excessive, and the excess of which, under any public panic, becomes principally dangerous?

The holders of large notes are few, and in country districts are, perhaps, far removed from each other. But the holders of the small notes are the population of the town of the country banker's residence, and the labouring and manufacturing body of the county. Hence, under any circumstance which leads to a run, the applicants for small notes are necessarily numerous; in a word, are a crowd and a mob, which as easily communicate, as catch a panic.

I have before stated, that the best and only safe system of paper currency is, where it is duly supported in its value, and controlled in its quantity, by being convertible into cash on demand. This circumstance of its being convertible into cash is considered by all writers to be the most natural and efficient control against the excessive issue of paper. But I have learned, Sir, from my own observation in the course of life and business, that this is only one of those general principles, which admits of such qualifi-

cations under particular circumstances, as not to be safely adopted as a universal maxim. If the habits of the people concurred with this convertible character of their paper currency, or, in simpler words, if the people were as ready to make a frequent exchange of their notes for coin, in an ordinary state of things, as they have the legal power of so doing, the above principle would be universally true, and no other control would be required than the convertibility on demand of such paper into coin. But, without troubling ourselves with the repetition of the reason, how does the fact stand? and by its plain language render all reasoning unnecessary. Of the numerous country banks which have lately failed, were not all their notes payable on demand? Were not the notes of the Plymouth bank convertible into coin on demand? Were not those of the York bank payable on demand? It is unnecessary, therefore, to urge any further argument, that the mere circumstance of local notes being payable in money on demand is no sufficient security against excessive issues.

Where, therefore, is this security to be found? The answer, I think, is obvious. I see no other means but by the interference of the legislature; and a positive law by which these country banks shall be compelled to give some security, and be put under the supervision of the government.

It may be here objected, that this is an in-

fringement upon the liberty of trade and commerce, and upon the acknowledged right of individuals to employ their capital as they choose, subject to no other restrictions than such as attach to all dealings in common. Why, it may be demanded, should bankers in particular be brought under this yoke? It may be briefly answered, for two reasons: First, because banking is a trade of peculiar hazard to the public, and the general good requires that this restriction should be imposed, or rather this security taken from those who exercise it. Secondly, because the trade itself is not only liable to abuse, and great public mischief in consequence, but the country bankers as a class, (I except, of course, many most opulent and highly respectable individuals) have, in fact, committed this abuse and occasioned this mischief. I should consider it but a waste of words to argue this point. It is a principle universally admitted, that all private trade may be subjected to restriction for the public good, and that no individual possesses a degree of liberty, which may not be regulated and restrained where the security of society requires it. In all our police and excise regulations; in short, in all trades which blend themselves with the interests of the revenue, we are daily acting upon this principle. Wine and spirit dealers, brewers, distillers, maltsters, soap and candle-manufacturers, brick-makers, auctioneers,

and many other classes of trade, are subject to particular and peculiar restrictions in the exercise of their respective dealings; because the public good, that is to say, the interests of the revenue, and general safety, require such supervision and inspection. Publicans, hawkers, and others, are subjected to the like control of a licensing system, because the same public good, in another form, that of police regulations for the order of social life, equally demands it. There is therefore nothing new in this principle of restriction. It is the duty of the legislature to apply it in all cases, where any of the great interests of the community, such as the safety of the revenue, the conservation of public peace and order, and the prevention of fraud or extensive mischief from the possible abuse of a dangerous trade, may render it a measure of precaution and self-defence.

In answering this objection, it should not be forgotten, what are the amount and degree of the restriction proposed (that of taking security for the issue of small notes); or in other words, of how much the banker is, in fact, deprived.

Before the war in 1793 there were no notes below the value of five pounds. Several acts of parliament had been passed to prevent the mischief of a small paper currency. This dangerous currency, indeed, was first put under such restrictions as rendered it nearly imprac-

ticable; and, latterly, bankers' notes of a less value than five pounds were expressly prohibited. This precautionary system against the small notes' circulation began as early almost as the trade of banking. We meet the first traces of this policy and legislative precaution in the reign of William III.; and the 15 Geo. 3. c. 51, 17 Geo. 3, c. 30, and the 27 Geo. 3, c. 16, recite, in their preambles, the salutary effects which had resulted from such restriction, and proceed to enact further restraints upon this growing mischief, which subjected the manufacturing and industrious classes of the king's subjects to great losses and damage.

When the suspension of cash payments occurred in 1797, it became necessary to give effect to that defensive measure, by allowing the issue of one and two pound notes. Before this period, the issue of such notes, as I have above said, was absolutely illegal.

If it were the object of any new legislative measure to prohibit at once, after due notice, the further continuance of such notes, the bankers would have very little reason to complain, inasmuch as it would only be a return to the old law, after the cessation of the particular causes under which it had been suspended. But the object of the measure which I am about to urge upon your consideration, Sir, is not to prohibit the further continuance of such issues, but to subject it, as

above said, to those salutary restrictions which late events have proved to be essential to the public security. But if the country bankers will lose little of what they formerly possessed, the effect of the proposed measure will certainly not be to subject them to such a degree of restriction, as will place them in a situation comparatively disadvantageous with other trades. The capital of trade is of two kinds; dead stock or machinery, and money. In all other trades, in the same class of magnitude and respectability with the trade of banking, both these capitals are required, and both are necessary to a great extent. In banking alone, and particularly in country banking, one species of this capital, dead stock and machinery, is totally unnecessary; and, under the light of recent experience, it is scarcely too much to say, that the other branch of the same capital, money, does not appear to have been considered as an indispensable requisite.

Under the effect of the measure about to be proposed, the trade of banking will only be brought upon an equality with other occupations of capital. The country banker will be required to possess, at least, some capital. One half, perhaps, of his issues will be vested in assets available by his creditors. Let him even consider this deposit in security (whatever it may be) as so much dead stock; so much machinery for his manufactory of paper. Even in this point of

view, his trade will only be upon a level with that of others. But as the measure which I am about to propose, or rather to enforce again upon the attention of his Majesty's Ministers, will still leave the country banker in possession (till default made) of the property pledged, whether it be in stock, land, or Exchequer bills; and as he will thereby be still in the receipt of the rent of one, or of the interest of the other, it is not even to be regarded as so much dead stock. It will still perform a double function for him; it will still be a present lucrative fund, as well as a future security; it will still, if stock, produce a double fruit, namely, its own interest according to its amount, and a commensurate profit upon the notes issued on it, as a security: And let it be asked, what more can any capitalist reasonably desire. For every 100*l.* or 1000*l.*, he receives at once the interest of a capital remaining realised in security, and the profit of the same capital circulating, or rather liquidated in his trade.

Having thus answered the preliminary objection, I proceed to the more particular statement of what I consider to be the measure required. I have before observed, that it is not so much my object to propose any new plan, as to show the expediency of recurring, at the present time, to one formerly introduced by Lord Bexley, when Chancellor of the Exchequer; a measure which, with some slight extension and adaptation to pre-

sent circumstances, is no less dictated by sound policy, than by what I consider the actual duty of parliament at the present moment.

I make no claim, Sir, to invention, nor to any other merit, if I may at all use the term, than that of bringing my own observation and experience to enforce and explain the urgent necessity of this measure. I am persuaded that the country would now have been in a very different situation, if Lord Bexley's bill had succeeded when first proposed.

The bill of which I am speaking was introduced into the House of Commons by the Chancellor of the Exchequer,* in April 1818. The object of the bill was to authorise the bankers in England and Ireland to issue and circulate promissory notes of one and two pounds, secured by a deposit of stock, or other government securities.

By the first clause of this proposed bill, no banker was thereafter to issue notes under the value of five pounds, unless such banker was duly licensed according to law, and unless he made a deposit of the securities required by the act.

By the second clause, every banker, who was desirous of issuing one and two pound notes, was required to apply at the Bank of England or Ireland; and, according to the amount of one or two pound notes which such banker was

* Mr. Vansittart.

desirous to negociate and issue, he was required to make a transfer to the Commissioners of the Sinking Fund, of stock; that is to say, of stock to double the amount of his issue of small notes. Upon making which transfer, the Banks of England and Ireland were directed to give him a certificate, stating the name of the party, and the fact and amount of such transfer.

By the third clause, the Commissioners of the Sinking Fund were directed to establish agents and offices in London and Dublin for receiving such certificates; and, upon the production of them, were to enter them in their books and place them to the account of the proprietors. They were required, also, to receive deposits of treasury bills for the same purpose, and to make a like entry of them in books kept for this object.

By the fourth and fifth clauses, the bankers, having made such transfers of stock, or deposits of exchequer bills, were empowered to issue one and two pound notes, to *half* the amount of the stock, or to the *whole* amount of the exchequer bills, in the usual form, and on the usual stamps; all such notes, previously to their being issued, to be entered and registered at the office of the Commissioners of the Sinking Fund. Such notes to be payable in ordinary at the country bank; but, in the event of any urgency, or at the will of, or upon requisition made upon the country banker, they might be assigned, by in-

dorsement, for payment at the office of the Commissioners in London. If the banker refused to indorse the note, the holder might protest it, and the Commissioners might thereupon sell the stock, or Exchequer bills, to the amount necessary to pay such indorsed or protested bill.

The other clauses of the proposed bill provided for the payment of the dividends on the stock, and the interest on the Exchequer bills, to the parties transferring the stock or depositing the government bills.

Such, in substance, was the measure proposed; and it was no sooner introduced into the House of Commons, than it encountered such an opposition as might be anticipated from the interest of the parties to be affected. The Parliament was, at that period, fast approaching the termination of its ordinary course; and as the country bankers, under the extraordinary extent of their accommodation paper, at first during the war, and afterwards during the difficulties of winding up, possessed an unusual degree of influence, many of the landed gentlemen took the alarm lest such influence should be directed against them in a future election. They were thus induced to make a common party with the country bankers. The opposition lent their usual aid to embarrass Ministers, and in proportion to their unexpected strength in this particular measure, became more vehemently patriotic

in favour of the liberty of trade, and the unrestrained employment of capital. The people, and in particular the country population, with their usual inconsistency, at once loudly called for the return to cash payments, and for no "restrictions" upon country bankers.

Under these motives and feelings, it was objected, in the first discussion of the measure, that no notes would be issued by the country bankers on the condition prescribed by the bill, and that the necessary consequence would be, to expel their small notes from circulation to the benefit of the Bank of England. It was further objected by another party, that if the bankers should be imprudent enough to accept the conditions, and issue their one and two pound notes on such securities, the country people would indeed take such one and two pound notes, but that no one would then take their five and ten pound notes.

It was in vain that the Minister replied to the first of these arguments, that it was very natural for the country bankers to desire to issue such small notes without any security, but that there was no ground for assuming, that they would not continue to issue them under the conditions required by the act. They would necessarily continue to issue them so long as they could make a profit by them; but that there was nothing in the proposed measure, which reduced this profit beyond the rate of

profit in all other trades. Under the proposed bill, the bankers were to receive the dividends of the stock, and the interest of the exchequer bills deposited. In their notes, issued upon such deposits, they would receive a second interest, the usual profit upon commissions from the parties to whom they lent them, or for whom they discounted. There was, therefore, still a manifest and large profit to be made upon such issues. Nor would the very security and deposit be inert and useless; it would perform the function in some degree of an active and circulating capital to themselves, as well as of an effective collateral security to their creditors. In the event of any run upon them, they might pay their larger notes by these stock notes. They would in fact have always so much money in their house, and that not dead and unproductive money, for the purpose of meeting any such run; inasmuch as they would only have to endorse such notes, and they then became payable by the Commissioners of the Sinking Fund.

As to the second objection, it was equally fully, but in vain, answered, that it was a most unwarrantable inference, that the credit of a banker would be diminished by the notoriety of his having given security for a considerable portion of his dealings. It was a much more reasonable and sound conclusion, that the un-

questioned credit of one part of his issues would be communicated in a great degree to the whole. We have his stock and his Exchequer bills, his neighbours might say, for his one and two pound notes; we have therefore the entire fund of his lands, houses, and other known substance, as security for his five and ten pound issues. Above all, they might add, we know that he has always so many stock notes, equivalent to so many small Exchequer bills payable on demand, in his house; and that in the event of any run he can pay his larger notes in these, and it will be our own negligence if we are not in due time to receive such payments.

Such objections, and such answers to them, accompanied the bill upon its first reading, which took place on the 10th of April, 1818. From the strength of the parties opposed to it, and the manifest public prejudice artificially excited and directed against it, it became necessary to take an unusual time to endeavour to dissipate this delusion, for such it really was, before the further stages of the bill. The 4th of June was accordingly fixed for its second reading. But under the increasing strength of so many interests and parties united against the proposed measure, enforced by the apprehension, certainly unfounded, amongst country gentlemen, that it would affect rents and agriculture,

the Chancellor of the Exchequer stated to the House, on the 30th of April, "that in consequence of some circumstances which had occurred, he had found it necessary to withdraw the measure for the present; but he wished it to be understood, that his opinion respecting the utility of the bill was not altered, although it was not his intention to proceed further with it until the next session."

Upon this temporary abandonment of the bill being announced to the House, an honorable member, an eminent banker in the North of England, congratulated the House in language of great triumph; stating that the measure was altogether objectionable, and "that there was not a country banker in England who could at any period, or under any circumstances, consent to the principle of the bill." He derided all modification; "the measure must be entirely abandoned." Another active leader of opposition condescended to sneer at this desertion of his bill by the Chancellor of the Exchequer, and cautioned the House of Commons against its reproduction in the next sessions.

Another gentleman from the same side of the house concurred, as he said, with the country bankers, in thinking that a measure like this would effectually ruin their credit with the public. The debate, indeed, now assumed the tone of admonition and lecture upon the alternate

caprice and rashness of Ministers, which one honourable gentleman, of some station and talent, severely censured. "When the right honourable gentleman had a measure to introduce affecting the interest of so large a body of individuals, would it not be as well to advise first, and to act afterwards, than to act first, and then, when alarmed at the effects of his own precipitancy, to take advice and retract. There might be more of genius in bravely defying all consequences by a headlong and impetuous vigour: but was there not some defect of gravity and wisdom in all nugatory proceedings by public men?"

A new election, as is well known, took place in the year 1818; and very early after the meeting of the Parliament in January, 1819, an honourable member, the very respectable and opulent banker to whom I have before alluded, showed great anxiety lest any attempt should be made by the Chancellor of the Exchequer to revive this measure in the new Parliament. As the Committee respecting the resumption of cash payments by the Bank of England was now sitting, "the great body of country bankers," he said, "was most anxious to know distinctly to what part of *their* system the Chancellor of the Exchequer intended to draw the attention of the Committee." The honourable member was told, that although the condition of country banks formed a very proper subject for the considera-

tion of the Committee, there was no intention on the part of Ministers, at that time, to renew the measure of the last session.

It is scarcely necessary to discuss the reasons which appear to have determined His Majesty's Ministers not to introduce any measure of this kind in the year 1819. At that period, the important question of the Bank of England resuming cash payments was in progress before both Houses of Parliament. The well-known result of these proceedings was, that the Bank of England was to pay in cash in May, 1823. More than eighteen months before this period the Bank anticipated the directions of the legislature, and withdrew its one and two pound notes from circulation. The two following years were periods of agricultural distress; and as an opinion, however erroneous, prevailed among country gentlemen, that a very great portion of their difficulties was to be attributed to the diminution of the circulating paper of the country preparatory to the resumption of cash payments, there would have been an obvious impolicy in the renewal of the Chancellor of the Exchequer's bill under such circumstances.

In 1822, the liberty of country bankers to continue the issue of small notes was felt to be drawing to its close, and it became necessary to determine upon the line of policy to be pursued. I have already observed, that the liberty of issuing

one and two pound notes depended upon the 37 G. 3, c. 32, passed upon the occasion of the Bank Restriction Act, which had suspended the previous acts of 15 G. 3; 17 G. 3; and 27 G. 3; under which bankers' notes of a less amount than five pounds were absolutely prohibited. The 37 G. 3, had been continued by several successive acts, and it was at length fixed by the legislature, that the liberty given to country bankers to issue notes under the value of five pounds should be in force until two years after the expiration of the restriction of cash payments by the Bank of England.

At the termination of the session of 1822, it became, therefore, a consideration of great moment to take some step as to the country paper circulation. Under the prejudice before mentioned, that the prices of agricultural produce had been affected by the diminution of paper currency, the country gentlemen again took a strong part with the bankers, and employed all their influence and authority to procure a further extension of their power to issue small notes. Under such influence the small note bill was passed, by which the bankers were empowered to issue one and two pound notes until the 1st of January, 1833.* It is scarcely too much to say, that this bill was from these circumstances almost forced upon the Ministers.

* By the Act of 3 G. 4, c. 70.

It is notorious, Sir, that in the political constitution of this country there are always two parties, which, from their own peculiar circumstances, must possess a most considerable degree of power and influence in Parliament and with the people—the landed interest, and the monied men. Where these two parties unite in the support of any measure, it is a matter of extreme difficulty to refuse or elude their object. It would be a most uncandid representation, that Ministers are in such circumstances driven into compromise under the mean and selfish apprehension of losing their places. Public men, like others, must consult the ordinary rules of prudence and discretion in the conduct of public business; and as they cannot proceed a step without co-operation, nor transact even the daily routine of business without possessing the good will and complacent feelings of the House of Commons, they must, like other individuals in a similar situation, concede and conciliate, and even sacrifice many particular measures, and some of them of importance, for the purpose of maintaining their general policy. I do not hesitate to say, Sir, that it was under these motives, and these motives only, that Ministers were induced to bring in the Small Notes Bill at the close of the session of 1822, and therein to depart from the complete execution of an object which they all had so much

at heart; I mean the entire resumption of cash payments in effect as well as in terms. The Ministers did not require to be told, and certainly none of the opposition gentlemen came forward to tell them, if they had required this lesson, that there was something in the very nature of the small currency of the one and two pound notes, which tended to perpetuate the paper system; and so far as the amount of this small currency was concerned, to defeat the object of a complete return to the mixed paper and coin of the year 1792.—They perfectly well understood, that as the present convenience of a country population, and the interest of the bankers, concurred to uphold and extend this small paper currency in country districts, it would continue to extend and to be upholden, until it had displaced a great portion of the coin of the realm within the compass of its operation. Ministers, I make no doubt, fully understood this character and tendency of the Small Note Bill, but the country bankers, by means of their connections with the London capitalists, had contrived to unite all the monied and trading interests in their favour; and nearly the whole body of the country gentlemen, alarmed at the state of agriculture and the general depression of prices, made common cause with them. The Ministers, therefore, were compelled to give way, and the Small Note Bill was passed.

I must here anticipate another objection, which will be perhaps made in the outset, to the proposed renewal of Lord Bexley's bill.

The Small Note Bill, it will be said, has been passed, and Parliament has therein given us the issue of these small notes for the further period of ten years from 1st January, 1823. Is it now proposed that Parliament shall deceive and take us by surprise? Shall Parliament depart from the pledged covenant and promise which they have made with the country bankers? Many of us have entered into the trade of banking under the faith of this law, and is it now proposed to be violated at our cost?

It may be briefly, and, as I trust, satisfactorily answered to this objection, that an Act of Parliament can only become a contract or covenant, where the legislature, and the persons to be affected, are in the condition of two contracting parties; each being so recognised by the other, and a suitable consideration passing between them. Where such relation or such consideration is wanting, an Act of Parliament may be a charter or free grant, but it is not a contract or covenant. But a charter, or an act of parliament in the nature of a charter, is a free gift of the legislature for the benefit of the parties concerned, granted upon the express application of such parties, either as a remuneration for past service, or as a lucrative exclusive privilege to

aid them in the prosecution of some public work or interest. In both contracts and charters, the interest of the parties is recognised, upon the face of the act or instrument, to be the immediate purpose of the legislature or grantor. Where an Act of Parliament contains no such recognition of any contracting parties, nor of any benefit intended to be granted to particular persons or bodies for their exclusive benefit, in the nature of reward or encouragement, there is no pretension for ascribing to such an act of the legislature the character and privileges of a charter or free grant.

I shall conclude that it will not be argued, that the bankers, as regards the Small Note Act, had any pretension to be considered as contracting parties with the government. Nor do I think that any one will contend, that the act in question contains any thing of the terms, form, or substance, of a parliamentary charter. It must, therefore, be regarded as a mere general Act of Parliament, passed under particular views of the public good, and to be revoked, qualified, or amended, as such views might become changed by new and unforeseen results. It was passed indeed for a term of years, but so (to instance one species of laws only) were insolvent acts, which, before the late permanent act, were altered and repealed from year to year before their expiration. Indeed, if it were any just

objection to such amendments, qualifications, or repeals, that they broke in upon an established and understood previous state of things, and varied the condition of parties as to their contracts, dealings, and engagements, new laws could in very few cases be passed. In brief, such laws are the mere acts of the legislature, enacted for public purposes and interests, and revocable as public interests may assume new forms. All that the parties acting under such laws during their term (if at all affected by their change) have any claim to require, is, that they shall not be subjected to any unnecessary damage, and therefore shall receive a due notice. If the legislature give them this notice, and thus enable them to prepare for the new state of things, it has performed its duty.

If we look to the terms of 3 Geo. 4, c. 70, the Small Notes Bill, it will be found to contain nothing in the nature of this alleged pledge. It is, in fact, nothing more than an extension of the dispensing act of 37 Geo. 3. By the 17 Geo. 3, bankers were temporarily prohibited from issuing notes of a less amount than five pounds. This act was rendered perpetual by 27 Geo. 3, c. 16. The 37 Geo. 3, was next passed, which, upon well-known occurrences in the year 1797, suspended the operation of the 27 Geo. 3, and permitted the issue of small notes until two years after the expiration of the restriction of cash

payments by the Bank of England. Then followed the 3 Geo. 4, c. 70, the Small Note Act in question, by which the 37th of Geo. 3, (the act suspending the operation of the small note prohibitory acts), was farther continued till January, 1833.

The 3 Geo. 4, therefore, is nothing more than an extension of the 37 Geo. 3, which was an act suspending the general law of the land. Small notes therefore, during the term of this law, may be issued till the period mentioned in the act; but there is nothing which ties up the legislature from adding a further qualification of such issues, if the abuse on the part of bankers should render it necessary for public security.

In the debate which arose upon the Resolutions of Mr. Horner,* and which occupied the House of Commons several days, until they were finally negatived, it was never supposed by any one of the speakers, that it was not competent to Parliament to abridge the term of the Cash Suspension Act, under which alone the country bankers were empowered to issue their small notes. It was taken for granted that the Cash Restriction Act might be amended by abridging the period of its duration. It was upon this understanding, that it was one of Mr. Horner's Resolutions, proposed to the House of Commons, "That it is

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* Debates on the bullion question—May, 1811.

expedient to amend the act which suspends the cash payments of the Bank, *by altering the time till which the suspension shall continue, from six months after the ratification of a definitive treaty of peace*, to that of *two years* from the present time."*

If the Cash Restriction Act, therefore, was not regarded by Parliament to be a pledge with the Bank of England against any alteration in the time which had been previously fixed by several acts for its duration; how can the Small Notes Act be considered to be a pledge by government to the country bankers against any mere qualification, or new mode of issue, which does not interfere with the time? The new act, still again suspending the old law, allows a further term of ten years for the issue of small notes. Now, if it were intended by any proposed measure entirely to take away, or even to abridge, this term, there might be some colour for complaint. But it is not proposed, as above said, to abridge the term given by the 3 Geo. 4. The old law prohibiting the issue of small notes is still to remain suspended during the term of ten years. The bankers are still to possess the power of issuing small notes; but under the recent experience of the abuse of this power, and of the consequent

* The sixteenth Resolution of Mr. Horner, Chairman of the Bullion Committee.

public mischief, the parties, permitted by the act to issue these small notes, are to be required to give securities against the recurrence of great public evils.

I maintain, Sir, that Parliament, under all circumstances, have a right to modify their own acts, where such acts contain nothing in their form or substance to justify any inference that it was the purpose of the legislature to tie up its hands from the future exercise of a discretionary power; and where the act is in terms, and in intendment, a general law, and not a contract or charter for the benefit of private parties, I contend, that it would be absurd to deny the right of the legislature to require a security for the issues of country bankers.

Let me suppose that Parliament should choose to fix a new scale of stamp duties, affixing higher rates upon one and two pound notes, would it not have this power? Suppose it were deemed expedient to call upon country bankers to register all their issues, would not the legislature have this power? Suppose (proceeding by a system of indirect checks) it should be deemed advisable to counteract the issue of small notes by a system of another character—Suppose it were enacted, as an emendatory clause to the last Saving Banks' Act, that no depositor should be allowed to pay any deposit into these institutions but in the current coin of

the realm, or in notes of the Bank of England—Suppose that a like order were given by the Boards of Customs, Navy, Transport, Victualling, Army Pay Office, Excise, Stamps, and Assessed Taxes—In a word, might it not be made a mere Treasury order and direction, that there should be no payment of any public duty, assessment, or account—of seamen's wages, dock wages, land-tax, county rates, &c. &c. but in the current coin of the realm, or in Bank of England notes. All these regulations are manifestly within the competence of Parliament or the Boards of Revenue. They are, in fact, according to the strict rule and language of the laws which now regulate the currency of the kingdom.* Is it not, therefore, evident, that the Parliament is possessed of ample power to check the abuse of the country banks' circulation? And although this mode of proceeding by indirect checks might probably be deemed harsh, it would certainly be effectual. Can it be objected, therefore, that Parliament is disposed to avail itself of the most moderate means of effecting this object, and that it is contented to allow the further continuance of this hazardous currency, upon some security given to the public in favour of the holders of small notes.

To conclude this part of my subject; The ar-

* I scarcely need say, that no payment is legal, so as to discharge the debtor (if the creditor take exception to it), but in the actual coin of the realm.

gument, on the part of the country bankers, is, 'that the Small Note Act not only gives them a 'further' period for these issues during seven years, but exempts them from all regulations and parliamentary supervision during that time. The act was passed for us, they say, and for our benefit, and it gives us a vested right, which we will not surrender. The answer is, that the Small Note Act certainly gives you a further time, but in no degree exempts you from such regulation and supervision as the public good may require; the act was passed for the country, and not for the bankers; and may be revoked, and, *a majori*, qualified, by the same authority under which it was passed. It was a general law of regulation, and not a contract or charter.

I come now, Sir, to the heads of the remedial measure proposed, and therein to the consideration whether, in assuming Lord Bexley's bill as my groundwork, it may not be expedient to make some modifications in its detail, and, more particularly, to transfer the administration of the powers it contained to another public board than that of the Commissioners of the Sinking Fund.

Lord Bexley's measure, in its detail, contained four main parts. I speak of course of the leading provisions of the act, omitting the mere process by which it was intended to work.

1. To require country bankers, desirous of issuing one and two pounds, to transfer to the

Commissioners of the Sinking Fund stock to *double* the amount of the proposed issues, or to deposit exchequer bills of the *same* amount with their intended notes.

2. Upon such transfers and deposits, country bankers were to receive one and two pound notes from the Commissioners, and such notes were to be duly stamped.

3. Upon the country bankers becoming unable to take up such notes at their country banks, the holders to be empowered to present them to the Commissioners, and the Commissioners to be authorised to pay them, and to sell the deposit of stock or exchequer bills, to the amount required to discharge them.

4. Until default made by the country bankers, the commissioners to pay over the dividends of the stock, and the interest of the exchequer bills, to such country bankers as had deposited them in security.

When the above measure was withdrawn under the united opposition of the bankers and their friends in 1818, it was sufficiently understood, that the Ministers, though resolutely adhering to the principle, were content that the bill should be modified so far as could be consistent with its due effect. What the modifications intended by his Majesty's Ministers were, I am not prepared to say; but with a very high respect for the eminent financial talents, judgment, and ex-

perience of the author of this bill, I am sanguine enough to think that certain modifications would have removed all objections.

The country bankers having sustained a severe run upon them in 1816 and 1817, were actuated by the apprehension, that a great portion of their capital would be locked up by the operation of this bill, and rendered unavailable for the daily occasions of extending their discounts and accommodations as circumstances might require. The country gentlemen were fearful, lest the bankers, under such circumstances, should abridge their supply of paper currency, and that the prices of agricultural produce should become affected by the reduced quantity of notes in circulation. Another class of persons, whose views went a little further, began to apprehend some indistinct evil from the nature of stock notes, and the possible extent to which the system might be carried, when it was once fairly commenced. The increased value which would be indirectly given to exchequer bills, by the sudden call for them which would be occasioned by the act passing, was another objection against the measure in its proposed form.

It is not my intention, Sir, to argue these several objections: it is notorious that they existed in fact, and were strong enough to defeat the purpose of the Ministers. It becomes, therefore, an important consideration, whether such modifica-

tions cannot now be suggested, as may give to a like attempt a better chance of success. It might, indeed, be the duty of Ministers to carry a necessary public measure through all objections; but it is a more satisfactory policy to convert antagonists into friends, and to conciliate opposition by the manifest reason and expediency of the proposed means.

Not to detain you, Sir, I would propose the following modifications of the bill introduced by Lord Bexley:

1. I would confine the security to notes under the amount of five pounds. For these notes, I certainly should not require exclusively the deposit of stock or Exchequer bills; nor should I think it necessary that the notes should have the character of being stock notes. I neither recommend land notes nor stock notes. I am afraid of the precedent. I would have the notes in question issued indeed upon the collateral guarantee of a fund, but I would not wish them to be the representative of such fund. I would, therefore, propose this qualification: That a banker, desirous to issue one or two pound notes, should give a security of the following kind. Supposing he wished to issue notes of this description to the amount of 20,000*l.*; I would permit him to give, indifferently, a real security; a chattel security, in the nature of realty; or a security by his own bond and sureties, and

not excluding (but leaving him a choice to make a deposit of) Exchequer bills, and stock. I would not limit him to any particular security, but permit him to offer any which would satisfy the Commissioners appointed to judge of it.

2. Instead of the Commissioners of the Sinking Fund, as proposed in Lord Bexley's bill, I would transfer the management of the detail of this business, such as determining upon the securities to be taken; upon their value and sufficiency; the giving of the certificate to the Stamp-office; and the putting the securities in force, in case of default, to another body of commissioners, who, as I humbly think, are better adapted, both by experience and their particular composition as a board, to execute the purposes of the proposed act; I mean, Sir, to the Commissioners for issuing Exchequer bills in loan, as aids for public works, &c.

It is well known, that this board is permitted by several Acts of Parliament to make loans upon real securities, chattel securities, or the bond of the principal with sureties, and even, in some cases, on the mere personal obligation of the borrower.

3. Supposing this charge committed to the board above named, I would propose that they should proceed upon the following principles. If a real security were offered of the due amount, I should consider it sufficient without any thing

else. It might be assigned to the Commissioners, by way of security, in the manner in which heritable estates in Scotland were directed to be assigned under the act of the 51 Geo. 3. which was an act passed during the commercial distresses of 1811, for enabling commissioners, appointed by the crown, to advance 6,000,000*l.* to the merchants and manufacturers of the United Kingdom, upon deposits, pledges of goods, public securities, bills of exchange, &c.

4. If long leasehold securities were proposed of an adequate value, I should deem these also sufficient.

5. If the banker had no real estate, either sufficient, or such as to be made legally available, for such pledge, from the circumstance of family settlements, prior mortgage, &c. I would empower the Commissioners to take a personal security by bond, and sureties in double the amount.

6. And, lastly, I would permit, as above said, the deposit of stock, Exchequer bills, India bonds, or other available securities of a public nature. And where such securities were of a fluctuating value, I would leave it to the Commissioners to make what they deemed an average reduction of the amount for which they should be considered to be pledged:—for example, deducting from the price of stock at the day of deposit, 10 or 15 per cent., and empowering the Commissioners, in the

case of a further depression, to call upon the banker for a renewal and enlargement of his security.

I should thus consult every description of property which a banker might have; some of these he must have, or he has improvidently embarked in his trade; and in none of the classes of security which I have proposed, but in the last, would I require any thing of deposit or pledge. In the last, the stock, Exchequer bills, or other securities of the like kind, must necessarily be deposited in the office of the Commissioners, with the reservation of the interest and dividends to the depositors. Now, Sir, with the highest deference to the opinion of Lord Bexley, and to his great and unquestioned talents and experience in this part of public business, I think that the above plan would not be liable to the objections which were made to his proposed deposit of stock or Exchequer bills.

To require a banker to deposit stock to double the amount of his issues, would possibly be too hard a dealing with him, and would be open to the well-known objections against stock notes. To require a deposit of Exchequer bills, would not only be to withdraw an equal amount of a banker's capital, but the capital so withdrawn would be of itself a portion of his circulating means.

I think the plan proposed would equally

answer the purposes of the public, and not trespass too far upon the urgencies of the parties concerned. I am confident it would not be opposed by the more opulent and respectable class of country bankers.

A banker might have good freehold and copyhold security, or good leasehold security, or be in such credit as easily to obtain bondsmen to double the amount of his small note issues, and yet not have it in his power to deposit Exchequer bills to the amount required. In short, Sir, I would adapt my plan to the possible circumstances of all solvent bankers; taking care, at all times, that the security should be sufficient, and always available. But I would leave this, Sir, to the judgment and practice of the body of Commissioners I have mentioned, who, having acted as a board for loans and securities now nearly nine years, have lent some millions of the public money without the loss of a guinea to the government.

It should be obligatory upon the Commissioners to accept securities manifestly sufficient, or to assign their special objections to the Lords of the Treasury. For example, it should be compulsory upon them to put a value upon landed security, less by one-third only than its real value. Thus, if a banker offered a free unincumbered estate, ascertained to be of the value of 30,000*l.*, by an estimate made according to the

practice of the Exchequer Bill Loan Office, that is, by the oath of surveyors, the production of rentals, assessment, &c., I would empower him to have a certificate from the commissioners to issue small notes to the value of 20,000*l.* I would pursue the same course with respect to long leasehold property, and other chattel interests in the nature of real property. If the security offered were personal; that is, the bond of the banker and his sureties, I would take such securities (as is the practice of that office) to double the amount from the obligor and his friends. In the last description of security, namely, the deposit of stock, Exchequer bills, &c. I see no objection to the transfer of stock to the Commissioners in the mode proposed by Lord Bexley's bill, deducting 10 or 15 per cent. for the average of fluctuation.

Now, every banker, in the reasonable credit of his business, could give one of these kinds of securities. The discretion of the Commissioners would be very limited indeed. It could only operate in the third class, where there was no freehold or leasehold pledge, and no deposit of public security, but the mere bond of the banker and his sureties. Here, Sir, I think the Commissioners ought to have a full discretion. The securities should always be taken to the crown, and the Commissioners would thereby have the privilege of the process by extent,

Upon giving this security, the banker should have the certificate of the Commissioners for a certain amount of one and two pound notes from the Stamp Office; which notes should be stamped, numbered, and registered. He might, at any time, increase his issue by giving a further security.

I think it unnecessary, Sir, to trouble you in this letter, with any details of a legal nature as to the mode of enforcing the securities on the banker's default. I would take the ground plan of the act passed in 1811 for this part of my measure. I do not wish to convert the Board of Commissioners into an office for satisfying the demands of the holders of one and two pound notes. It would be unnecessary, as the Commissioners might be empowered, where the security was freehold or leasehold, to convey it to the assignees of the banker in the event of his insolvency; taking security, of course, from the assignees, for making a distribution to the holders of the small notes according to their priority, and for payment in full where the security would afford it. I presume all along that the security is sufficient; if there should be any surplus, it would necessarily belong to the holders of the larger notes. If the security taken were merely the personal bond of the banker, with sufficient sureties, the Commissioners, upon failure, might either themselves put in force the

remedy by extent against the bankrupt's estate, and sue the securities, or enable the assignees to take the crown process into their own hands for this purpose.

I need not repeat, Sir, that the main distinction between the measure which I now humbly propose, and that of Lord Bexley's, is, that all I should require in any case would be *security*. I would not require, as an indispensable condition, the deposit of stock or Exchequer bills; I would leave this to the option of the banker, and exact it only in those cases where he had not any of the other classes of security to give. However disposed to look with a degree of compassion upon the holders of small notes, as being not unfrequently in that class of the community upon whom loss or delay of payment would fall most heavily, I cannot think they are entitled to any thing more than ultimate security. If they possessed this, the notes they held, notwithstanding the stoppage of a bank, would still pass from hand to hand, or be discountable at a very small premium.

I shall now trouble you, Sir, little further but to recapitulate. I believe it will be readily conceded to me, that some check is necessary to this dangerous species of our currency. I have never conversed with any person upon the subject who, however differing upon the mode, had any doubt upon the principle. If the shock

occasioned by the failure of these local establishments merely terminated in themselves, less could be said for the expediency of the measure; but when I see that the ruin which they produce spreads a panic through every branch of our domestic dealings; interrupts the ordinary credit and confidence between man and man in our trade and commerce; extends itself to the securities of the state, and agitates all the elements of our financial system; involves in one common ruin both solvent and insolvent; pulls down indifferently the rotten and the sound; I say, Sir, when I observe such effects produced by late events, I can have no difficulty in saying that it is the most important duty of Parliament to administer some efficient control against the recurrence of this evil.

If we look back upon the history of the currency of country banks for the last twelve years, and to the calamities which have arisen, not only to trade and manufactures, but also to agriculture, from speculations of this description, the particulars will be truly appalling. It will be needless to recall to mind the failures of 1793, 1797, 1802, and 1811. If we take an earlier date, we shall see enough to justify the anxiety of Ministers for putting these establishments under some restraint.

Out of seven hundred country banks which existed in 1814, two hundred were swept away;

and disappeared, to the ruin of individuals, and whole districts, before the month of April, 1818. Since that period the ruin has not been so extensive, but gradually going on, and the last three months have added more than seventy to the number.

The objections which existed to the measure of 1818 no longer exist. It can no longer be said, that it is a mere palliative to put off cash payments, and to sacrifice the country bankers to the Bank of England. Nor can it be objected to the plan suggested, that its purpose is to force up the price of stocks and treasury bills. I think as little weight is due to the objection that it will occasion an unlimited issue of paper. As respects the small notes, no more will be issued than is adequate to the security given, and up to this extent the issue may safely proceed. Again, if it be said that, presuming upon the security given for the smaller notes, the bankers would be tempted to an almost indefinite issue of their larger notes, I would answer in Lord Bexley's argument in 1818: "The temptation to issue in case of paper (a large portion of which is founded upon security) could not be greater than in the case of paper founded on no security at all." And with respect to the banker's large notes, as his over issues would naturally return upon him, and be exchanged either for coin or small notes, the security which

he had been obliged to give for this lower species of his paper would correct all undue redundancy in his notes of larger amount. In short, Sir, nothing would be taken from him to which he had a claim before the suspension of the old law. He would be left, in all issues of notes beyond the value of five pounds, without any other restraint than that discretionary caution in the conduct of his business which his own safety would suggest. He would be left with all that Parliament and the law of the land thought it proper he should have before the act of 1797.

I confess, Sir, that I consider this mode of protecting the holders of small notes, which have so insensibly, and now I am afraid so firmly, introduced themselves into our paper currency, preferable to any of the proposed systems of Joint Stock Banks, after the example of Scotland. If the charter of the Bank of England did not afford a present obstacle to such an innovation, I think the interests of the large class of persons engaged in banking ought to be considered a sufficient objection. I do not meddle with any question touching the undoubted security of the Scotch banks; but I think just as much stability might be given to the numerous individual firms in England, without adopting a mode of banking, which is perhaps more suitable to the character and habits of Scotch traders, than to capitalists of the like description amongst ourselves.

In England, the class of bankers have always maintained the highest station amongst our merchants and wholesale traders; they are not only one of the most respectable and opulent bodies in the ranks of commercial life, but are connected with families of the first consideration in the country. They form a large and distinct class of individuals. In Scotland, the greatest portions of the bankers are merged in Joint Stock Companies, and in society are scarcely known or recognised as a distinct body of traders. The introduction of the Scotch system amongst us would be equivalent to the extinction of a large order of most respectable and opulent men, and would ill supply their place by so many mere subscription companies. There is no doubt but that the system of banking might be carried on like insurance and fire offices, or like underwriting at Lloyd's. But who could desire such a change at the expense of so many individuals, the large majority of which are entitled to respect and esteem upon every private and public consideration; whose names are foremost in every scheme of beneficence, and stand at the head of almost every list of charitable aid and contribution.

Upon the part of the agricultural gentlemen, I am persuaded, if they understand their own interest, that there can be no opposition to this measure. It is impossible that the present sys-

tem can continue without proceeding from bad to worse; every future convulsion will be more violent than the previous one, and the end must be a general breaking up, as far as concerns a large portion of country banks, of the whole paper system. If the country gentlemen desire the continuance of these establishments, they must desire, as a necessary measure, that some check should be applied to their imprudent issues. I would appeal to their own experience in recent events; I would ask them, if many of the local banks have not been upholden, and are not still upholden, by a system of general forbearance, and by guarantees more generous than prudent, upon the part of the great landholders in their neighbourhood. But can it be necessary to inform these gentlemen, that public credit can never be long consistent with a system of mere forbearance. It is their manifest interest, therefore, to put the paper of their neighbourhood upon such a foundation that their rents may be always securely paid, and that the insolvency of a local banker may not be pleaded against the demands of the landlord.

I scarcely think that any attempt will be made by the opponents of his Majesty's Ministers, to impute the late effects to the errors of Government, or even to the Bank Directors. In popular discourse three causes have been loosely assigned; the bargain of Government with the

Bank in 1822, to pay the military and naval pension list for an annuity of 2,800,000*l.* for forty-five years; the loan of money on stock and mortgages by the Bank; and the new system of free trade. As to the first cause, if the Bank of England had not paid the four or five millions of the annual amount of the dead list, the same amount must have been yearly paid by Government. It follows that nothing upon this account has been added to the general circulation of the country. The adoption of the bargain by the Bank cannot therefore have led to any excessive issue of paper. Nor can it be said, that the annual advance of this sum can in any degree distress the Bank, or embarrass the directors in their mercantile accommodations. If the Bank have to advance for the first six or seven years between four and five millions annually, Government, by the bargain, are engaged to pay the Bank every year, 2,800,000*l.*; leaving an excess only, on the part of the Bank, of 1,700,000*l.* per annum, on an average of the first five years.

As to the Bank loans on stock and mortgage, the original purpose of this measure was to afford some accommodation to country gentlemen, and to persons not immediately connected with trade. In a period of agricultural distress, there was a very general complaint amongst landholders, that the high rate of mortgage

interests, and too frequently of annuities granted on real estates, concurred with the reduction of rents to absorb all their incomes—Whilst traders were only paying from three to four per cent. for money upon their bills, and upon the lower obligations of personal security, the mortgages of landholders, even under the most favourable circumstances, stood at five per cent. Under such circumstances, the Bank Directors announced their intention of lending money upon stock and mortgages at four per cent.; thus affording an opportunity to the landed gentlemen to pay off their incumbrances, and to convert their mortgages of five per cent. into a lower rate of interest. Instead of complaining that this accommodation has been carried to an excess, there is too much reason to imagine that it has been less efficacious than Government and the friends of the landed interest had anticipated.

There is something in the very nature of landed security, and particularly in family estates, encumbered with settlements, remainders, &c. which is wholly inconsistent with the daily and hourly occasions of commerce. All the legal modes of conveyance had their origin in times when commerce was little known and understood, and are therefore very ill adapted to that quick transfer, and instantaneous conversion, which the sudden and unforeseen exigencies of trade may require. There is no mode of passing

land by the mere endorsement of a title-deed. A bill of foreclosure is as tardy, and almost as cumbrous, as the ancient mode of livery of seizin; and a merchant, who wanted repayment of the loan which he had advanced upon land, might be ruined, ten times over, before he could get a decree of foreclosure, or the master's report in his favour, on a bill for account in a court of equity.

The Bank Directors know all this; and have accordingly afforded these loans upon land with a very sparing hand. However valuable as an ultimate security, and as a *security merely*, land is the most tardy and difficult of all convertible assets.

The same general reasoning applies to the loans upon stock.

All loans upon pledge are too slow in their returns for the nature of trade. They are not payable on demand; and even where payable on a day certain, they are not in the mean time circulating securities, nor at all times convertible into value. In case of default, the proceeds of the pledge are only to be realized through a broker or auctioneer, and the accounts become complicate and irregular, and the proceeds often insufficient. Hence the loans upon stock by the Bank have been scarcely more liberal than those upon mortgage, and their amount has certainly had very little operation, either in first extending, or latterly in restricting, the issues of the Di-

rectors. They have, in truth, till upon late occasions, been altogether unimportant.

With respect to the new system of Free Trade, I have no doubt, as I have before stated, that the facilities afforded by it have been pushed beyond what prudence will justify. But the abuse of a system is no argument against its proper and natural character. A system is good or bad, according to its natural fruits, under a wise and discreet exercise, and is not to bear the faults of that excess and abuse which belong only to the errors of those who pervert it. But in what branch of our trade shall we look for that degree of abuse from excessive and extravagant speculation, which can properly be charged upon the new system of free trade? I readily admit that there have been some most absurd and enormous ventures in articles of foreign and colonial commerce. I merely assert, that the subjects of such speculations have little or any connexion with the new system which has been principally ascribed to Mr. Huskisson. What had this free trade system to do with the excessive imports of cotton in the early part of the last year?

The free trade system during the last year has operated principally upon silks and wine. In silks there has certainly been some excess, but not to that extent which could have any material operation in producing the late events. It is perhaps to be regretted, that our manufacturers

have been induced, under any circumstances, to embark in a fabric, in which the natural and almost moral circumstances of our country render us unequal competitors with foreigners. But the distress in the silk manufacture has not been occasioned by any natural consequence of the late measures of the Ministers; inasmuch as it has preceded the operation of these measures nearly nine months. Government have acted with great caution, and a most liberal consideration in the reduction of the duties. Repayments were made, and indulgences granted, so as to adjust the intended measure to the actual state of the trade when the allowances were given, and to its probable condition when the new law should operate; and it was fully understood and stated by many of the leading manufacturers, that when the new system should come into operation, the trade would be prepared and competent to bear it. But the manufacturers, from an imprudent eagerness to supply and anticipate the market before the commencement of the new duties, have in fact filled it to a glut, and the price has fallen in proportion to the excess of the supply beyond the present demand. In order to supply the materials of this manufacture, the capitalists in this trade have been equally extravagant in their importation of raw silks, and have thus run into a double excess,—an excess in the domestic manufacture, and in the import of the raw material.

As to the excess in the import of wine, no one has heard any complaint upon this subject—A third article, which is affected by the free trade, hemp, has certainly not been imported in any mischievous excess. But it is almost exclusively in these three articles that the free trade system has operated within the last twelve months.'

I cannot conclude this part of the subject without expressing my regret, that the free trade system, as it is now popularly called, has been very generally misunderstood; and that, under this erroneous conception of its object and principles, much mischief has been imputed to it which it could in no degree produce.

This system, so happily begun by the present Chancellor of the Exchequer, and continued by the very able President of the Board of Trade, comprehends four leading heads.

1. To reduce, consolidate, and simplify the Shipping and Navigation Acts, Register Acts, and Custom and Revenue Laws, relating to our general trade and commerce.

2. To regulate our Colonial and Foreign trade, more particularly our Warehousing system, Transit, Pilotage, Lighthouse, Docks, and Harbour Duties, and all the other details of navigation and shipping.

3. To place every branch of British Commerce, in whatever part of the globe, upon one uniform system of law and regulation, and to regard

Ireland to be as much an integral part of England, as the Isle of Wight, or Wales.

4. To terminate the system of prohibitions, and of all duties in the nature of prohibitions; to crush smuggling by reduced duties on almost all articles of foreign produce; and to encourage all countries, by removing fiscal obstructions and commercial impediments, to deal with us on the same terms of a commerce reciprocally free.

Now, in order to form a due judgment of the nature of this system, let us look to its practical operation in conducing to these objects; let us inquire, whether in any one of them it has failed; and whether any public mischief, in any one branch within the compass of this system, can fairly be imputed to it.

In our shipping and navigation; in the consolidation of our Custom House regulations, and revenue laws, let the British merchants be consulted, and Ministers, I feel persuaded, will willingly abide by their answer. I am not one of those who attribute to official returns a weight of evidence which cannot belong to them; I know that they are not to be assumed as perfectly exact accounts; but there is a kind of average of errors, which, running generally through all such returns, renders every successive estimate comparatively a sufficient measure of any actual excess or deficiency in our trade. Let us, therefore, take the official returns of our shipping for

the last three years. In 1823, the number of new vessels built was 780; in 1824, the number was 847; and in 1825, the number was 1,011. The returns of vessels entered inwards, and clearing outwards, British and Foreign, for the years 1823, 1824, and 1825, are equally in favour of the latter year, and exhibit that increase in our home and foreign trade, which cannot but have added most largely to the commercial capital and circulating wealth of the country. I have no doubt, as I have more than once said, that those large opportunities, afforded by the new policy, have in some cases been pushed to a mischievous extreme; but I am persuaded, that they have not been so far abused, but that the actual good resulting from this part of the system still greatly exceeds the mischief of the abuse.

Our colonial commerce has been affected by the free trade system in the same manner and degree as our navigation and shipping. In despite of some absurd speculations, wholly extrinsic to the proper nature of this policy, it has been greatly and most advantageously increased. In the East Indies there is a rising demand for all British articles; and the liberty given to the free trader to export directly from India to foreign Europe, and from foreign Europe to India, is gradually laying the basis of a productive commerce. In the West Indies, the free intercourse of the colonies with America, and

each other, has opened the immense markets of the United States and South America to them. The former narrow and limited system of free ports has been merged in the large and liberal policy of regarding the colonies as so many integral parts of our own home empire, and opening them, like so many maritime counties of Great Britain, to the almost unrestricted intercourse of foreigners, both in imports and exports.

For the sake of our ship-owners, the free trade system has, hitherto, restrained the direct supply of colonial produce to the mother country to British vessels; beyond this, our colonies are almost wholly and effectually opened to all the commerce of the world.

As regards our dealings with Europe, and indeed generally with Asia, Africa, and America, the jealous restrictions of the old navigation acts, so long contended for by our merchants and ship-owners, have been almost extinguished, and our general commerce in every part of the globe has reaped the advantage. Our goods, more particularly our cotton and woollen fabrics, our hardware and cutlery, circulate more freely and largely than ever in the German and Italian markets; and all combinations against us have disappeared under the immense superiority of British capital and ingenuity.

It would lead me beyond my limits to go into the details of the official returns; suffice it to say,

that our trade with foreign Europe, if we except France, has increased under this system nearly one-fourth within the last three years.

As regards the simplification and uniformity of the revenue laws and custom house regulations, and particularly with reference to our intercourse with Ireland, the results have been equally in favour of the liberal policy of the free trade system. The Irish revenue, both in its excise and customs, is greatly on the increase; the collection itself has been improved, and there can be no reasonable doubt but that its net produce, in a few years, will be augmented at least one-third of its present amount, without any increase of burthens upon the people.

As to the last division of the free trade system, the prevention of smuggling, and the reduction of duties, it has been nearly as prosperous as was anticipated. It may be safely asserted, that smuggling in many minor articles has been entirely extinguished. The repeal of prohibitory duties upon upwards of one hundred small commodities, has removed so many temptations to dishonesty and fraud, the worst effects of which were, that they gradually corrupted the morals of the people. No one now smuggles lace, and many minor articles of French fabric; the result is, that a manufacture of our own has almost superseded the use of French and Brussels lace,

and our domestic artisans gain what was formerly given to foreigners.

I have thus, Sir, rapidly run over the heads of this system, not so much with a view of explaining the sound prudence and policy of the variety of measures which it comprehends, (for it runs through the whole circle of our commerce, foreign, colonial, and domestic,) as for the purpose of showing that it could have very little effect in producing late events. It certainly had no tendency to encourage any of those numerous joint stock companies, in which so much capital has been embarked and lost. It had no tendency to stimulate speculations in foreign loans; and as little to call forth accommodation paper, and the rash and exorbitant issues of country banks. It was intended to enlarge the sphere of regular trade, and in no degree to provoke or afford opportunities for absurd and precipitate ventures.

But I am trespassing beyond the limits which I had prescribed to myself, and entering upon topics which would open a boundless field. I am persuaded that no man, of any common candour and information upon these subjects, can impute to the system of free trade, or indeed to any measure of the King's Ministers, the late convulsions in the commercial world. The Government, indeed, foresaw the recent

catastrophe with more distinctness than even the Bank Directors. The papers published from your own office, Sir, and inserted in the journals in the early part of the last session, gave the people a forewarning of such consequences, from the absurd and precipitate spirit of speculation which at that time began to prevail. But as the people were speculating with their own money, it was not within the power of Ministers to adopt any preventive means. They seemed resolved to throw the abundance of their wealth upon the waters—and they did throw it.

As I am persuaded, Sir, that most of the topics urged in this letter must have repeatedly passed through your mind as well as my own, I have only to conclude with the expression of my great respect for yourself; and my best wishes for your long continuance in the possession of that power and influence, to which your acknowledged talents and public services so unquestionably entitle you.

I am, Sir, &c. &c.

*Jan.* 23, 1826.

C. Baldwin, Printer,
New Bridge-street, London.

# AN ENQUIRY

INTO

THE ORIGIN AND INCREASE

OF THE

# PAPER CURRENCY

OF THE KINGDOM,

**A subject deserving and requiring the serious consideration**

OF THE

## LEGISLATURE

AND OF

## EVERY MAN IN ENGLAND.

---

ANONYMOUS.

---

Mea virtute, me involvo.

———Si quid novisti, rectius istis
Candidus imperti, si non his utere mecum.

HORACE.

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LONDON:

LONGMAN, REES, ORME, BROWNE, & GREEN.

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# TO THE READER.

THE object of the following pages is to call your attention to a subject very imperfectly understood by most, and, by many, not at all: of the former class, the writer himself, has been one, till some recent occurrences brought it more closely under his notice.

An honest writer will ever *invite* rather than *shun* candid criticism. Permit him to add, not rudely, but frankly, that, though he is not indifferent to your approbation, or your censure, he neither courts the one, nor deprecates the other; the consciousness of the purity of his intentions render him alike independent of both.

Should he hereafter be as fully convinced that the present system of the paper currency is as conducive to the *comforts* and the *liberties* of his fellow-subjects as at present he believes it to be injurious to *both*, he will most cheerfully give as great a degree of publicity to *that conviction*, as he now wishes to obtain for this little tract.

Rose, Printer, Broadmead, Bristol.

# PREFACE.

Should this little tract meet the eye of those whose political creed may lead them to treat it as merely the toncin of alarm sounded by some restless demagouge — let such at once be told, with that courtesy, which the desire not to give offence will ever prompt, but, at the same time, with that honest boldness which integrity alone can inspire, that the writer, deficient as he is in abilities to serve his country, yields not to any one of them in firm attachment to the constitution, and in anxious desire for its prosperity.

If, notwithstanding, any apology be thought necessary for this attempt to spread the information which he believes to be so generally, and so much needed, he would plead that apology in the words of the late Bishop of Landaff.

" Much may be done by honest men; and " whether any thing can be done or not, I must " still hold it to be the *duty* of each individual

"firmly to profess what appears to him to be "right, though all the world should be on the "other side of the question. By a contrary "conduct, many a *moral* and *political* evil has "been *established*, and many a virtue banished "from amongst mankind; just as many a battle "has been lost from each man saying, Why "should not *I* run away as well as the rest? "which might have been won, if each man had "said, *I* will stand and do my duty let others "do as they will."

*Life of R. Watson, Bishop of Landaff.*

# THOUGHTS, &c.

WHEN an anonymous writer wishes to call the attention of the public to a subject of importance, and is aware that his views of it are not in accordance with public opinion, it is but justice to himself and to his subject, to avail himself of the assistance of such accredited characters, as are well known to the public, and who have held *similar opinions*. We will, therefore, before we enter upon any discussion of it, produce a few extracts, exhibiting the opinions of different characters, and at different periods of time, to which we may have occasion to refer in support of our own.

Burke on *the French Revolution*, *written and* published in 1790, says, "*Real money* "can hardly ever multiply too much in any "country, because it will always, as it in- "creases, be the certain sign of an increase "of trade, of which it is the measure; and, "consequently, of the vigour and soundness of "the whole body: but *this paper money*, may, "and does *increase*, without any *increase* of

"trade; nay, often, when trade greatly de-
"clines; for it is not the measure of the
"*trade of its nation,* but of the *necessity of*
"*its government,* and it is absurd, and *must*
"*be ruinous* to think, that the same cause,
"which naturally exhausts the wealth of a
"nation, should likewise be the only produc-
"tive cause of money."

The same writer says, "They (i. e. the
"French Revolutionists) forget that in England
"not one shilling of paper money is received
"but of *choice,* that the whole has had its
"origin in *cash,* actually deposited, and that
"it is convertible, at pleasure, in an instant,
"and without the smallest loss, into cash again.
"Our paper is of value in *commerce,* because
"*in law it is of none.* — It is *powerful* on
"change, because in Westminster Hall it is
"*impotent.* — In payment of a debt of twenty
"shillings, *a creditor may refuse all the paper*
"*of the Bank of England.* Nor is there amongst
"us a single public security of any quality or
"nature whatsoever, *that is enforced by authority.*
"In fact, it might be easily shewn, that our
"paper wealth, instead of *lessening* the real
"coin, has a tendency to *increase* it; instead
"of being a *substitute for money,* it only facili-
"tates its *entry,* its *exit,* and its *circulation;* —
"that it is the symbol of prosperity, and not

"the badge of distress. Never was a *scarcity* "*of cash*, and an *exuberance of paper*, a sub- "ject of *complaint* in this nation!"

The reader is particularly desired to keep in mind, that this was written in 1790; we shall see hereafter how it accords with 1797, the *period when the* SCARCITY OF CASH *and* THE EXUBERANCE *of paper*, produced not only "*complaint*," but *alarm!*"

"It is not altogether improbable, that when "the nation becomes heartily sick of its debts, "and is cruelly oppressed by them, some daring "projector may arise, *with visionary schemes* "*for their discharge*; and as public credit will "begin by that time to be a little frail, the "least touch will destroy it, and, in this man- "ner, it will *die of the doctor*: but it is more "probable, that the breach of public faith will "be the necessary effect of wars, defeats, mis- "fortunes, and public calamities, or, even, per- "haps, of *victories* and *conquests*."

*Hume on Public Credit.*

Lord Mornington, (now Marquis Wellesly) in the House of Commons, January 21st, 1794, after describing the many evils of the French Government, and contrasting it with the advantages of our own, said, "*Here* we behold "*public credit of every description rising* under

"all the disadvantages of a general war, an
"ample revenue, flowing freely and copiously
"from the *opulence* of a *contented* people."

"When the situation of the *Bank of England*
"was under the consideration of the two houses
"of Parliament in the *year* 1797, it was my
"opinion, and that of many others, that the
"*extent* to which *the paper currency* had been
"carried, was the *first* and *principal*, though not
"the sole cause of the MANY DIFFICULTIES to
"which that corporate body WAS THEN, and *had*
"of *late years*, from *time to time*, been exposed
"*in supplying the cash*, necessary for the com-
"merce of the kingdom."

"I should stop here, but there is a subject of
"so great importance, and so nearly connected
"with the coins of your Majesty's realm, that I
"should not discharge my duty, if I left it
"wholly unnoticed, I mean what is now called
"the *paper currency*; which is carried to so
"great an *extent*, that it is become highly *incon-*
"*venient* to your Majesty's subjects, and may
"prove, in *its consequences*, if no remedy be
"applied, *dangerous* to the *credit* of the king-
"dom. — It is certain that the smaller notes of
"the Bank of England, and those issued by
"country bankers, have *supplanted* the gold
"coins, *usurped* their functions, and *driven* a

"great part of them out of circulation." *Earl of Liverpool's Letter to the King, published in* 1805.

"He hoped gentlemen would direct their most "serious attention to the subject. If gold and "silver were once driven out of circulation, how "were they to be restored? The sure conse- "quences of a *paper currency* would be a *debt* so "enormous, that it would *never* be removed. "The old debts and the new would vanish "together, and the *funded property would sink* "*with them.*" *Mr. Nicholls. Debate on the Restriction Act, March,* 27, 1797.

"Nothing but a law declaring bank notes to "be a legal tender of payment, can relieve the "bankers and the trading part of the community "from the hardships to which they are liable; "and yet the remedy, *must,* in the end, be "worse than the evil." *Mr. Hobhouse. Debate on the Restriction Act, March* 27, 1797.

"Thus, the measure of *non-payment* originated "with the persons *bound to pay.*" *Mr. Tierney. Speech in the House of Commons, November* 22, 1797.

"Legal tenders (that is, enacting that paper "money should be a legal tender of payment)

"have been the cause of the overthrow of *every* "*financial system* into which they have been "introduced." *Essay on American Paper Money.*

"I would inculcate one truth with peculiar "earnestness; namely, that a *revolution* is not "the necessary consequence of a *national bank-*"*ruptcy.*" *Pursuits of Literature.*

From the foregoing quotations, the reader will see, on the testimony of those, to some of whom no suspicion can attach of their being unfriendly to the then existing order of things, or any doubts arise as to their want of information, That in the year 1790 (seven years before the Bank of England was restricted from making their payments in cash, and before ONE AND TWO POUND Bank of England notes were issued) Burke asserts, that "Paper-money is the measure of the *necessity* "of a government," and that "our paper-wealth "was not" *then* "*a substitute for money.*" The Earl of Liverpool also says in 1805, only eight years *after* one and two pound Bank of England notes were *first* issued, that "The paper "currency was carried to so great an *extent* as "to have *supplanted* cash, to have *usurped* its "functions, and to have become highly *incon-*

"*venient*, and, unless remedied, might prove "*dangerous* to the *credit* of the kingdom."

The correctness of all these statements will be abundantly proved in the proposed investigation of the origin and increase of a paper currency.

Before we proceed to an enquiry into the origin of a paper currency, it will be necessary to state clearly, what we mean by the term, *The Bank of England*, especially as from thence the *whole* of our paper currency, was, in the *first instance*, issued, and because we not unfrequently hear *the Bank of England* spoken of, as if it formed an integral and constitutional part of the government of this country, whereas, it is nothing more nor less, than a number of men forming a trading company, under the firm of "The Governor and Com-"pany of the Bank of England." It should also be noticed, that prior to the establishment of this Bank, the circulating medium of this country was *not paper*, but *coin*.

The history of the Bank of England is briefly this. King William III. having engaged, in the year 1694, in a war with France, and wishing to procure the money he wanted for carrying it on, by *voluntary contributions*, engaged that if the sum he wanted (viz. £1,500,000) was advanced by a certain time, he would

incorporate the lenders into a trading company: the money *was advanced* by the time specified, and the lenders incorporated by Act of Parliament under the firm, as already stated, of "The Governor and Company of the Bank of England." This empowered them to trade in gold, silver, bills of exchange, &c. under certain regulations described therein. By this Act also certain taxes were levied for payment of the interest, and for *re-payment* of the principal so lent to the Government. Thus commenced our *National Debt*, small in its beginning, but how tremendous in its growth! And here it may not be amiss to remark, that as *war* occasioned the *debt*, so also it produced the necessity of raising *taxes* to pay the *interest* of that debt. But this will be brought more into view as we go on, and when we come to speak of the Stocks or Funds.

The Bank of England from the time of its institution in 1694, till the war which took place in 1755, issued no notes under £20. During this war, they issued notes for £15, and before its conclusion, for £10; and soon after the beginning of the war with the French in 1793, they issued notes as low as £5. On February 26, 1797, came out the memorable Order in Council, restricting the Bank of England from making their payments in cash;

this, of course, necessarily, and instantly produced the issue of ONE AND TWO POUNDS; and from this time, the transactions of the Bank of England became A COMPLETE PAPER SYSTEM.*

Though it will be anticipating the progress of the national debt, by stating, in this place, its amount to the present time, yet it appears advisable so to do, to show how the increase of the debt, and the increase of *paper* necessary to pay the interest of that *debt*, kept pace with each other; and that the increase of the *debt* uniformly produced an increase of *paper* is proved by the Bank of England issuing notes of a progressively *smaller* amount, from £20 to £15, from £15 to £10, from £10 to £5, from £5 to £2, and from £2 to £1, for as the debt progressively increased, it will be seen at once, that the *smaller* was the amount or *value* of the notes issued, the more *generally* they would supply the place of cash, and the greater would be the proportion they would form of the sum total of the circulating medium of the country. This is self-evident, because the smaller notes *now* formed that portion of the circulating medium, which *before*, was supplied by coin.

* At first Bank of England notes were subject to interest, but this did not continue long, and, on its ceasing, they became a part of the circulating medium of the kingdom.

| | | | Amount of the National Debt. Millions. | Ann. Int. paid out of the Taxes. Millions. | Expenses of the Nation. Millions. | Yearly amount of Taxes. Millions. | |
|---|---|---|---|---|---|---|---|
| | King William III. ... ... | 1694 | 1½ | | | | |
| 7 | Queen Anne ... ... ... | 1701 | 16 | 1 | 5 | 4 | — Peace |
| 13 | George I. ... ... ... | 1714 | 54 | 3 | 6 | 6 | — Peace |
| 13 | George II. ... ... ... | 1727 | 52 | 2 | 5 | 6 | — Peace |
| 33 | George III. ... ... ... | 1760 | 146 | 4 | 24 | 8 | — War |
| 24 | After the American War, in | 1784 | 257 | 9 | 21 | 13 | — Peace |
| 17 | At end of the War of 1793, in | 1801 | 579 | 21 | 61 | 36 | — War |
| 8 | At the end of ... ... ... | 1809 | 811 | 32 | 89 | 70 | — War |
| 16 | At the end of ... ... ... | 1825 not yet ascertained. | | | | | |

Having thus stated the progressive increase of the national debt, of the interest due thereon, of the annual expenditure of the nation, and of the annual amount of the taxes, we forbear any remarks upon either of them, in this place, and proceed to the consideration of the Stocks and of the Funding System, which forms a very important branch of the present enquiry; and a thorough knowledge of which will *alone* enable us to attain a clear opinion upon the probable ultimate *results of the system*, and especially upon the *grand question*, whether there be any probability that the Bank of England will be able *to return to*, and TO CONTINUE their payments in gold and silver; *or*, whether from that physicial and elementary constitution of things, over which man has no

controul, the system of *such a paper currency* as we are now describing, does not contain in itself the principle of *inevitable decay*, analogous to the constitution of the human frame, in which

> "Our life is nothing but our death begun,
> As tapers waste, the instant they take fire."

But our present business, we acknowledge, is not with poetry, but prose — not with the pictures of the imagination, but with the close, rigid deductions of the judgment; except that when we are looking at the *amount* of the national debt, *then*, indeed, we are obliged to call in our *imagination* to the assistance of our comprehension.

We must again, as in the case of the term, "the Bank of England," have recourse to a definition of terms; but, in this instance, with ten-fold the occasion for it; for of all the words in the whole compass of the English language that have been either ignorantly or intentionally misused, the words, "the Stocks," and "the Funds" seem to claim the preeminence. What would a foreigner think who had acquired a knowledge of our words, but not of our mode of using them, on hearing the common phrase of a person "having thousands in the Funds," and "thousands in the Stocks," but that "the Stock" meant his

property, and "the Funds" meant the place where it was collected and laid up: and what would be his astonishment when, on asking for further information, he was told, that by the term, "Stock," we did not mean *property*, but *debt* (in which, as he became better acquainted with us, he would of course allow we abounded) and by the term, "Funds," we did not mean a *place*, or a heap or quantity of money laid up, or indeed of any thing else, except *debt* again. Would this information, do you think, induce him to become a purchaser? however, that is *his* business, *ours* is to examine, and determine for ourselves, whether this statement be correct. To do this to any good purpose, we must place no reliance on the prevalence of *public opinion*, but adhere to the *evidence of facts:* this may lead us into a good deal of dry and tedious detail, but there is no help for it. In pursuing this investigation, we must keep in view the following facts:

That "the Funds," "the Stocks," and "the National Debt," are only different terms used to express the same thing, and, that, *that thing* is the *debt*.

That this debt is made up of the money lent to government at different times, from 1694, when the debt commenced, to the present day.

That the interest upon this debt is *paid out of the taxes*, under the name of "dividends."

That all those who are entitled to receive these dividends, are called Stock Holders, and that such are commonly (though erroneously) said "to have *money in* the Funds."

We are fully aware that this statement may be said to be *incorrect*, because the "Stocks" or "Funds" are not *the debt*, but the *interest* of the *debt*. Be it so: all we contend for, is, that it is correct as to all *practical* purposes. Perhaps it would be better stated negatively, viz. That the "Funds," or "the Stocks" *are not money, are not property of any kind or description whatever*: in a word, that, a man's having, according to the common phrase, a thousand pounds in "the Funds," or in "the Stocks," does not put him in possession of one farthing of property; it does not even give him any claim upon that very debt of which his thousand pounds forms a part. It gives him a right to receive the *interest* of that thousand pounds, and it gives him *nothing more*. We have asserted that "the Funds" and "the Stocks" are only different terms used to express the same thing (in effect) and that, *that* thing is the debt.

We are so fully aware that this assertion is directly opposed to popular opinion, and yet so fully convinced that it is the fact, and so deeply are we impressed with the importance of *this fact*, through all its ramnifications of *past, present*,

and *to come*, that we must particularly press the consideration of it upon our readers: for if our views of this subject, be correct, *this debt* is the prolific *root* of that *tree* whose branches have overspread the land, diffusing not the shade of security, but, the gloom of distrust. If we are wrong here, we are (without a pun) RADICALLY wrong.

We have also asserted that "the Funds," or "the Stocks," are not *money*, are not *property* of any kind or description whatever; and that a man's having a thousand pounds in the "Funds," does not put him in possession of one farthing of *property*. Is not this the fact? You say, No "I have, for instance, a £1000 in the 3 per cents. "I want my £1000 to put into trade, or to "purchase an estate. I go to the stock ex-"change, sell my 3 per cents. and receive my "£1000. Is not this, then, *property*?" "Certainly it *is now* that you have the money in "*your pocket*; but this does not prove that it was "*property* whilst you held it as *Stock*; and *this*, "he who is now the holder of it will find to his "sorrow, should the time ever arrive when he "wants to *sell*, and no one is inclined to *pur-*"*chase*." We would ask, which of the qualities that characterise *property* (defined by Johnson to be "*possession held in any one's own right*,") would the "stock holder," in the case above

stated, apply to his 1000*l.* 3 per cents.? "Possession held in one's own right," may be of houses, lands, merchandize, cattle, &c. &c. in a word, any thing that is tangible, and is in possession. But of what does 1000*l.* in the 3 per cents. consist? Why, it consists in having your name written in a *great book*, which is kept at the Bank of England, and which book sets forth that you are entitled to receive the *interest* on 1000*l.* 3 per cents. Not a word about *property* even in this book, which is the only place where you can look for it, and where you may look for it in vain. Still, perhaps, you will say, that your name being written in this book is undeniable evidence that the government *owes you* £1000. This sounds well, but it happens that it is not the fact. The government does not owe you a £1000, nor a thousand farthings: it owes you the interest on 1000*l.* 3 per cent. stock, and nothing but that interest, and for the payment of this interest, you have the comfort of *being your own security:* for, as long as you are able and willing to pay *taxes*, government will always have the means of paying you *your interest*, and will *do it* too. So that you see you have the power of securing the payment of the interest *quite in your own hands;* and could any reasonable man desire a better security than this?

Still further; if, at any time, you wish to

*sell* your 1000*l.* 3 per cents. and another person wishes to *buy* it, you then change places. He gives you *his money,* and you transfer to him *your stock.* To these transfers the people of this country have been so long familiarized: the transfer is so constantly, so easily, and so promptly made, that the transaction has *apparently* all the characters of *actual disposable* property. We say, *apparently,* for there remains to be a *real* difference, and that difference, an important one, because, in cases of *actual* property, such as houses, lands, goods, &c. for instance, if no one will *buy them,* you retain the *possession of them,* and may apply them to some purpose or other, whereas the *value* of your stock, in the character of available property, is entirely dependent upon the *will* and *estimate* of another, and that estimate is entirely dependent upon the state of *public credit,* or *confidence,* so that if this confidence at any time becomes *lessened,* your stock becomes proportionably *depreciated;* and, should this confidence ever be *entirely lost—annihilated.* If we examine this confidence, we shall find, perhaps, in ninety-nine instances out of one hundred, that it is not founded upon *knowledge,* but upon *ignorance:* it is not that *we do know* that we *have* reason to be satisfied, but that, *we do not know* that we *have not* reason to be so. We

see that others, such too who are much better informed than we are, are satisfied, and why should not we? Nothing, perhaps, places this general feeling in a stronger light than the remark we sometimes hear, that "Bank of England notes are quite as good as Guineas." Certainly, they are, for those who think that the *acknowledgment* of a debt, is quite as good as the *payment* of it; but to such *only*; for the language of a bank note, whether *Bank of England*, or *country bank*, is, "*I promise to pay, &c.*" that is, it is a declaration that it is *not a payment*, for does a man ever promise to pay that which he does *not owe*?

After a short explanation of the celebrated sinking fund, from the operations of which such favorable results were at one time anticipated, we think we may dismiss this branch of our subject to such further consideration of it as our readers may think it deserves.

The sinking fund was established in 1786. An act was in that year passed, authorising Government to buy up annually a certain amount of stock, and enacting, that when the *produce* of the stock so bought up, should amount to four millions a year, all the stock bought up *after that time*, should no longer *have interest paid upon it out of the taxes.*

Public expectation was so highly raised upon

the adoption of this scheme, that many anticipated from it, the liquidation of the national debt: but some *then* thought, and experience has *since* shewn, that this anticipation was *delusive*; for though another act was passed in 1792, with an extension of the provisions of the act of 1786, yet in 1802, both these were repealed by an act, stating to be an "act to amend and *render more effectual* the acts of 1786 and 1792," but so far from having rendered these acts of 1786 and 1792 *more effectual*, it has rendered them of *no effect*, and *the interest of the whole of the "redeemed debt,"* as it is called, continues to be paid out of the taxes to this day. Thus has *sunk* the *once* celebrated "*Sinking Fund.*"

The plan we have pursued has now brought us to the *most memorable epoch* of the eventful history of the *paper currency*: but before we enter upon it, it will be advisable to look at *the state* of that currency when the Restriction Act took place in 1797, and also to take such a retrospective view of the whole subject, as may enable us to ascertain what were the causes that made this Restriction Act necessary; it will, therefore, be necessary here to refer to the statements given in 1816 of the amounts of the *national debt*, of the *interest* due thereon, of the *expenditure*, and of the *taxes*.

| | |
|---|---|
| The amount of the national debt in 1784, *after* the American war, and at the end of a period of *ninety* years, was | £ 257,213,043 |
| The amount of the debt in 1801 (after the war of 1793) was | 579,931,447 |
| Shewing an increase of debt in *seventeen* years of | 322,718,404 |
| The amount of debt at the end of 1809, was | 811,898,082 |
| Shewing an increase of debt in *eight* years of | 231,966,635 |

| | | Increase of annual interest of the national debt paid out of the taxes. | Increase of expenses of the nation. | Increase of the annual taxes. |
|---|---|---|---|---|
| From 1784 To 1801 | 17 yrs. | £12,108,583 | £39,620,409 | £23,428,050 |
| From 1801 To 1809 | 8 yrs. | £11,092,590 | £20,749,270 | £33,511,255 |
| | 25 yrs. | £23,201,173 | £60,369,679 | £56,939,305 |

Increase in TWENTY-FIVE Years.

If we are asked, what it was that occasioned an act to be passed in the year 1797, *Restricting* the Bank of England from making payments in cash, which act is known by the name of the "Bank Restriction Act;" we say, that the cause of passing that act was, that the Bank of England *had not the means to continue to make its payments in cash.* It will, perhaps, be replied, "This statement is stamped with "incorrectness on the very face of it. What! "pass an act to *restrict* a body of men from

"*doing that*, which they *had not* the *power* "of doing? If the Bank of England really "*had not* gold and silver enough to pay their "notes, what occasion could there have been "for passing an act *to restrict* them from doing "it. This looks like mere deception."

We will now state the *facts* of the case, and leave you to form your own conclusions.

Our readers will once more allow us to go back again a little. We will readily admit, that going *backwards* so often, is not the usual method of getting *forwards*, still if there be any truth in the saying "that the farthest way round, is the nearest way home," we hope we shall not much lengthen their journey by these retrograde movements.

By looking back to the statements already made of the national debt from 1692 to 1809, they will see that as the increase has proceeded for the last 25 years with a rapidly increasing velocity, so the increase of the *interest*, and of the *taxation* necessary to meet that interest, must have, of course, *increased* in the same ratio; and it must also be obvious, that the increase of *paper-money* must have kept pace with it; and that as paper-money *increased*, the circulation of real money, i.e. gold and silver, would be proportionably *diminished*, as is explained page 8. This then accounts, on prin-

ciples that are self-evident, for the almost total withdrawment of cash, and this was the *fact* to so great a degree, that as the issue of paper-money *increased*, a guinea was a sight, very *rarely* seen. It also proves, so far as such a case admits of *proof*, (unless the Bank of England could convince us of the contrary, by giving us a sight of their coffers,) that the amount of bullion or coin in their possession, must *always* have *fallen short*, *very short indeed*, of the *amount* of their notes kept out *in circulation*, and that this was the case, see their own account presented to Parliament, February 25, 1797; for what inducement could they possibly ever have had to issue notes, if they had, at the same time, bullion to an equal amount lying unproductive? And here we wish to impress upon the minds of our readers with that force of conviction with which it is impressed upon our own, that there is an *intrinsic*, *unalterable* distinction between real money and paper-money —— that *real* money is the representative of actual property; *paper* money, *always*, and in *all cases*, the representative of *debt*.

Previously to entering upon the historical detail of the proceedings which issued in the passing of the famous Bank Restriction Act in 1797, it will be advisable to show the state of the national debt, and the interest payable thereon, for *a few years* before the adoption of that measure.

| | Debt. | Interest. |
|---|---|---|
| | Millions. | Millions. |
| Before the revolutionary war with France (in 1793) the amount was - - | 257 | 9 |
| In that year was added - - - - | 6 | 0½ |
| Amount at the end of 1793 - - - | 263 | 9½ |
| Added in 1794 - - - - | 16 | 1¼ |
| Amount at the end of 1794 - - - | 279 | 11 |
| Added in 1795 - - - - | 25 | 1 |
| Amount to the end of 1795 - - - | 304 | 12 |
| Added in 1796 - - - - - | 42 | 2 |
| Amount at the end of 1796 - - - | 346 | 14 |
| Added in 1797 - - - - - | 67 | 3 |
| Amount at the end of 1797 - - - | 413 | 17 |

The above statement exhibits an increase of upwards of 150 millions of debt, and 7 millions of interest in about 4 years! What a field is here opened for comment! But our business is chiefly with facts; and the fact we want to establish, is, that not long before the restriction act was passed, there was a great *increase* in the circulation of *paper*, and, consequently, as before shewn, a proportionate *decrease* in the circulation of gold, which we conceive the above statement abundantly proves.

Not to encumber our reader with all the particulars connected with, and tending to produce the memorable epoch of which we are now treating, it may suffice to say, that from the commencement of the year 1797, the public mind had been strongly agitated by the apprehension of invasion. This feeling was not merely kept alive, but greatly increased by the measures then adopted. Government, acted upon this apprehension by vigorously and extensively embodying and arming a great portion of the population. One natural and certain effect of an impending invasion was, to make every one desirous of securing what gold they could. The bank soon felt this effect, and felt it in such a rapidly increasing ratio, especially on an account being received from Portsmouth, of several French transports conveyed by armed vessels having been seen off Beachy-head, on February 20, that on the 24th, the directors thought it necessary to have an interview with the Chancellor of the Exchequer. From their report of this interview, we annex the following extract.

"It appeared that the loss of cash yesterday, "was above * and that about *, "were already drawn out this day, which

* No sums were reported to the public.

"gave such an alarm *for the safety of the house*, that the deputy governor and Mr. Bo-"sanquet were desired to wait on Mr. Pitt, to "mention to him these circumstances, and to "ask him how far he thought the bank might "venture to go on paying cash: and *when* he "would think it necessary *to interfere* before "our cash was so reduced as might be detri-"mental to the immediate service of the state."

In consequence of this interview with the Bank Directors, and the great increase of the run on the bank on Saturday the 25th, the Minister called a Cabinet Council, on Sunday the 26th February, and issued the Order in Council, which order, being afterwards ratified by the parliament, became the memorable "Bank Restriction Act." From this statement it will appear, that the Restriction Act, originated with the Bank Directors themselves; and that Mr. Tierney was perfectly correct, when he said in the debate of November 22, 1797, that "the measure for "*non-payment* originated with the persons *bound* "*to pay.*" In a word, that the object of their application to the minister, was not for a *restriction from paying cash*, but for, *protection for not paying it.*

Monday 27, is thus described by the "True Briton" of Tuesday the 28th, "A great run "seemed to have been *meditated* upon the Bank,

"as a crowd of people assembled there as soon as "the doors opened." This design was happily "*defeated* by a resolution of the Privy Council, "transmitted to the Bank Directors on Sunday, "and, in consequence, they had hand-bills ready "for delivery," &c.

A general meeting (which had been *previously proposed* by the Bank) was held at the Mansion House, the Lord Mayor in the chair, and resolutions entered into and signed, *to receive and give bank notes as usual.*

The Privy Council, including all the ministers, had a meeting, and entered into and signed resolutions, similar to those of the general meeting.

March 2. The magistrates at the quarter sessions for the County of Surrey, entered into a like agreement, which was issued "by order of the *Court*," and signed by "*the clerk of the peace*," thus giving it an *apparent* official authority. The other counties did the same.

May 3, 1797. The Bank Restriction Act became a law.

As the last scene in this serio-comic drama, a meeting of the bank proprietors was held May 3, and a unanimous vote of thanks passed to the directors for having *obeyed* the order in council, accompanied by a declaration that the affairs of the bank were in a state of *the greatest afflu-*

ence, and expressing an earnest hope that they should soon be *permitted* to pay their notes in cash as usual. Of such a transaction as this, may we not well exclaim, "*Qui vult decipit, decipiatur.*"

The Bank Restriction Act, it should be observed, was declared to be "*only a temporary measure!*" but what has been the result? An attention to the dates and periods of its renewals will suggest many important considerations.

| | | |
|---|---|---|
| It became a law, May 23, 1797, to continue in force to June 24th, | | 52 days |
| Renewed June 22d | To continue in force till one month after the next sessions of Parliament. | 5 months |
| Renewed again, Nov. 30th, | To continue in force till one month after the conclusion of the then war, by a definitive treaty of peace. | 4½ years |
| Renewed again, April 30th, 1802 | (After peace was made) to continue in force till March 31st, 1803. | 1 year |
| Renewed again, Feb. 28th, 1803 | To continue in force till *six weeks* after the commencement of the next session of parliament. | 10 months |
| Renewed again, Dec. 15th, 1803 | To continue in force till *six months* after a conclusion of a definitive treaty of peace. | 19½ years |

Mem. Mr. Peel's bill for the *resumption of cash payments* was to have been carried into effect, May 1st, 1823.

The truth is, that "the Bank Restriction Act" has *never* been totally repealed to the present

day (now 1826) for, about nine months before Mr. Peel's bill for the resumption of cash payments *would have taken place*, the Small Note Bill was passed, and this was a *repeal* of Mr. Peel's bill as to its *most important part*; for Mr. Peel's bill put an end *to all small notes* on the 1st of May, 1823, but the *Small Note Bill* allowed them to be made and circulated for ELEVEN YEARS LONGER.

Before we quite dismiss the subject, it is but justice to let the bank speak for themselves on the authority of their own accounts, laid before the House of Commons, by a committee appointed by that house to examine the state of the finances of the bank.

This committee was designated, a "*Secret Committee*;" and, *be it remembered*, was told by the minister (see debate February 28th, 1797) that "They were not required to push their "enquiries, into circumstances, the disclosure of "*which* would be attended with *temporary in-*"*jury to the credit of the country*, and with "permanent embarrassment *to the operations of* "*the bank*." They appear to have fully *understood* and *attended* to these instructions: their report to the House of Commons makes up the accounts of the bank to February 25, forming a balance in favour of the bank of nearly four millions. That item of the account which ap-

plies to our present subject, is the amount of their *notes* in *circulation*, and the amount of the *cash* in hand to meet them, which stands thus:

Bank notes in circulation nearly .. .. 9,000,000.
Bills and notes discounted, cash, and bullion, about 4,000,000.

This account then shews at the very time when the Order in Council was issued, restricting the bank from paying cash, that the *amount of cash* in their possession was not equal to *one half* of the amount of *ther notes in circulation*, possibly, not to the amount of *one fourth*, or even *one tenth*! for it should not pass unnoticed, that the four millions of *bills and notes discounted, and cash* and *bullion*, are *blended together* in one total, of which, if the cash and bullion had formed only one half, may we not safely conclude it would have been so stated? Compare this with the declaration of the Bank Directors "that the affairs of the bank are in a state of the greatest affluence" and may we not exclaim once more "*Qui vult decipit, decipiatur.*"

Another very important part of the committee's report is, that they state, that previous to 1797, the amount of bank notes in circulation, was "between ten and eleven millions, falling hardly "ever, below nine millions, and seldom exceed-"ing eleven millions."*

* It is worth noticing how uniformly the increase of the dividends, and the increase of bank notes out in circulation,

Is it not on this principle also, viz. of keeping in *circulation* a greater quantity of *notes* than of cash to answer them, and by this means reaping *private* profit at *public* risk, that the business of every country bank in the kingdom is conducted? and the greater the risk to the *public*, the greater the profit to *them*. Is this a state of things to be encouraged, or even to be suffered in a great commercial country like ours, where a CREDIT *founded*, not on *fictions*, but on *substance*; not on the *symbols* of property, but on the *possession* of it, is the very principle of its *vitality*; the "sine qua non" of its *existence*.

Let the events of the last month, and those now impending in the months to come, *answer these questions*, whilst we look at the following facts.

That—in 1810, that is in thirteen years after the "Secret Committee" on the affairs of the Bank "have reported that the usual amount of bank notes at the time was from nine to eleven millions," it appears, that the amount of bank notes *then* in circulation (that is in 1810) was upwards of TWENTY-ONE millions.

keep pace with each other. In the year 1798, the dividends amounted to *seventeen* millions; the bank notes in circulation, to *thirteen* millions: in 1809, the dividends amounted to *thirty millions*; the bank notes to *twenty-one* millions.

That — in 1797, the number of country banks was ONLY about TWO HUNDRED, and in 1810, upwards of SEVEN HUNDRED.

That — the *amount* of notes circulated by the country banks, collectively, is estimated to be more than *double*, perhaps more than *treble* the amount of bank notes in circulation.

That — the amount of bank notes in circulation in 1810, was upwards of TWENTY-ONE MILLIONS, and how overwhelming is the consideration of these united facts!!!*

After these statements, is it not clear as figures and reasoning can prove it, that the evils of this system, not only *are*, but *must be*, progressively *increasing*, and that the ultimate *result* of the system must be a *diminution* of the *value of paper*, and a proportionate *increase* of the *value of gold, until the paper* will become of no *value at all.*

We do not forget that, formerly, when a guinea would yield twenty-seven shillings, whilst a pound note, of course, would yield but twenty shillings; we were often told that the bank note was *not* depreciated in value, but that gold had *risen* in value. Our object is, we say it with perfect sincerity, to *convince*, not to

* Both France and America have experienced this, and both have flourished much more since their paper money has been annihilated, and succeeded by the circulation of coin only.

*offend*, or we should be induced to call this a mere quibble, or play upon words; for as it will be admitted, that a guinea and a pound note and a shilling were *once* EQUAL in value; so, when a pound note is still a pound note, but a guinea is *twenty-seven* shillings, is not saying that gold is *risen* in value, virtually saying also, that paper is *fallen* in value?

That this disproportion of value of the circulating mediums *must* eventually produce *two prices*, with a *certainty* and *extent* of operation, which no legislative enactments can *controul*, is as clear an axiom in the science of political economy, as that two and two make four, is in the science of mathematics.

Our readers will allow us to remind them that our professed object has been to call their serious attention to "the origin and increase of the paper currency," and to give them such information as we could on the subject. In doing this, we can now appeal to them that we have carefully avoided all offensive personal allusions, and every thing calculated to excite feelings of irritation in those who do not think as we do. We have dealt chiefly in *facts* and *figures*. In the way of remark or comment, we have said but little where it would have been much easier to have said more.

It was our intention to have brought down

our statements to the present day, and it is with no small reluctance that we submit these to the public in this unfinished state; but circumstances not within our controul, prevent us from pursuing the investigation any further *at present;* while circumstances equally cogent, prompt the publication of this *without delay.* We must, therefore, conclude: but we cannot do it without once more repeating, as our farewell admonition to our readers, the conviction so deeply impressed upon *our own minds,* and which, if we have not written entirely in vain, must, we think, have been produced *in theirs*: a conviction founded upon the evidence of figures: an evidence which neither *power* can over-rule nor *sophistry* pervert, that there is and ever must be an intrinsic, immutable *distinction* between paper and gold. That *real money* is the representative of actual property. *Paper money* — always, and in all cases, the representative of DEBT.

Let this conviction be once firmly established in our minds, and we shall *then correctly* estimate our hundreds and thousands of "*I promise to pay,*" as being, *not* the multiplied vouchers of INCREASING WEALTH, *but* the reduplicated proofs of INCREASING POVERTY.

January, 1826.

Philip Rose, Printer, Broadmead, Bristol.

# LETTER

12.

## A NOBLE LORD

IN ADMINISTRATION,

ON THE

## PRESENT DISTRESSED STATE

OF

## THE COUNTRY.

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BY A CALM OBSERVER.

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LONDON:

PRINTED FOR SHERWOOD, GILBERT, AND PIPER,
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1826.

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# LETTER,

&c. &c.

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THE observations on the state of the country, which I presume to lay before your Lordship through the medium of the press, have not their origin in self-sufficiency, or the want of becoming deference to the noble person to whom I address myself; but in an impulse that I cannot resist, arising from the cries of distress, that may be heard every where, from one end of the kingdom to the other.

It may not, my Lord, be in my power to produce any new arguments of weight on a subject so frequently examined; but surely an evil of so portentous a character, as the calamity which at present oppresses us, cannot be too generally investigated: propositions long unheeded often strike the mind merely by changing the terms in which they are expressed; and should there be a truth of this kind included in mine, it may happen to be seen, and have its effect.

To avoid taking up unnecessarily a moment of your valuable time, it is my intention to proceed

at once, and, if possible, in a concise and intelligible manner, to consider some of the causes of the present wretched condition of the country; to notice the progress of the evil to its present alarming crisis; and to suggest such measures as I conceive calculated to afford relief.

On merely opening our eyes we may perceive, that the fluctuating or shifting state of our money, a quality inherent in the very nature of our banking system, or paper currency, is the principal cause of the calamity that has befallen us.

From this fatal source have flowed most of the bitter waters which are overwhelming us. The laws respecting corn, and the insolvent laws, may also be considered as causes nearly co-efficient with this, in swelling the tide, and extending farther and more widely the work of desolation.

In looking to the operation of the first or principal cause which I have mentioned, it is not necessary to my design to trace it farther back than the period when the bank stopped payment in gold; the necessity even for which may perhaps be still better understood by analogically reasoning from the events which have occurred since. From that period, to the time of the resumption of cash payments, the value of all the property of the country depended on the will of the directors of the Bank. It would be wasting time to attempt to prove, what will be readily granted, that the price of all

articles must depend on the proportion, which the money in circulation bears to the quantity of articles that is to be interchanged by means of it, and that too, whether the money be paper or gold. Had the inclination of the Directors, when gold was withdrawn from circulation, induced them to restrict their issues of paper money, there would have been no limit but their own will to the depression of produce. The necessities of the times, however, and a more liberal policy, led to the contrary result; that is, they very much increased the circulation of paper. Labour, and all productions of industry, consequently appeared to become dearer. Gold, too, which formerly had set some bounds to this arbitrary state of things, lost its power, and was obliged, like other things, to rank itself only as an article of commerce; and it was, therefore, soon in appearance, in like manner, dearer: two guineas were found to have become equal to three one pound notes, and no resolution of the legislature could, in that full state of the circulation, make a pound note and a shilling equivalent to a guinea. The new money, therefore, no longer possessed the power of the old; and, when compared with the gold standard, a depreciation was indicated of more than 40 per cent. In saying this, it is not my intention to give an exact ratio, but merely to lay down a principle.

I beg, however, to observe, that were it neces-

sary to show, with any degree of accuracy, the difference between the old and the new pound, labour, in the situation in which the country then was, would perhaps be the best standard for comparing them, and this will be found to have been nearly doubled through the kingdom. The low rate of gold, when compared with labour, during this period, may perhaps be accounted for on some of the following considerations. Before the suspension act, it was obliged to be circulated with paper, and had therefore partaken of its depression; and when freed from this necessity, it had many degrees to rise, in order to attain its natural level. On account, too, of gold's being a foreign production, the nominal and real price of labour required to produce it continuing the same, some time must have been necessary to adjust in our new money the proper sum to be given for it, deceived as the venders of it might have been by the different proportion of the product of industry, which it represented under the same denomination; but the lessened demand for it, when it became not necessary as money, must have had a powerful influence in preventing its rise from keeping pace with labour. With this depreciated money, equal only to half the produce of our industry, were all our contracts made, and all our imposts paid; and the Chancellor of the Exchequer told the country,

even then, that taxation had reached its utmost bounds.

In this situation of our money affairs, the legislature determined, that the Bank should resume its cash payments at the old standard: the reason assigned for which was, to bring back our currency to a healthy state; and it was also strenuously insisted on, as a measure required by justice.

But when it is considered, that the contractors for the greater part of the loans, which have been heaped together to form the national debt, were enabled, solely by the great depreciation of the pound, to lend to such an immense amount, that the interest on the whole had all been paid in this depreciated money, and contentedly accepted by every hand held out to receive it; that the salaries in our public offices, and the pay of our army and navy, had been greatly increased, in many cases twofold, solely in consequence of the low value of money; it is difficult for men of ordinary intellect to see how justice requires all this to be paid in double money again.

But if it should be still insisted on, that justice demanded it, then men of common capacity will be in want of an appropriate term by which to express the keeping of compact, and giving and receiving mutually measure for measure; for in the spirit of this act, under a plea of justice, we may oblige a debtor to pay twice the quantity of produce we lent him, even though it should re-

duce him from a state of comfort to penury: we may let a farm for a rent of a hundred bushels of wheat, double the capacity of the measure, and still enforce from the tenant the same tale of bushels.

We may cajole a nation to believe, that coining the same piece of gold into fifty millions of pounds instead of seventy-five millions, is the relieving it from twenty millions of taxes. With a contrivance so *easy*, and, at the same time, so *very* beneficial, it is a pity the principle of it had not been more extensively acted upon, by merely adopting the standard in use in the reign of Edward the Third; in that case, even thirty millions more might have been subtracted from the national burden.

The injurious effect, which this most unfortunate proceeding must have had on our foreign commerce, may be easily seen, if we will give a moment's attention to the means we are obliged to resort to in order to obtain gold, the only material in which we can now pay our debts.

This article, like all others that excite the cupidity of man, owes its value to the quantity of human labour necessary to procure it; and, therefore, cannot be purchased, unless we give a just proportion of the produce of our industry in exchange for it; any ingenious expedient to get it by means of bills of exchange, or promissory notes, payable at a future time, will be in the end of no

avail to keep here a single ounce, for which we have not given an equivalent in goods.

To see this operation in the least complicated way, let us suppose a merchant, in 1815, exporting a sufficient quantity of goods to buy a hundred ounces of gold, which, on being imported here, he sells for £550, the price of gold being then £5 10s. per ounce. We assume this sum as necessary to repay him, or to enable him to honour an acceptance given for the outfit. Continuing his trade, he again sends out the same value in goods, and receives in return the same number of ounces of gold; but now he finds here an arbitrary price fixed on it, that obliges him to part with it for less than £390. With this he cannot pay his acceptance; and to have been enabled to get a sufficiency of gold to exchange into £550, an additional quantity of goods ought to have been sent out, to the value of £225; which, in effect, would have been the same as giving three pounds for two. Equally injurious to his interest would a return in bills have proved; since, in regulating the exchange, the foreigner only wants to know the quantity of metal in our standard of money, and fixes the rate agreeably to it. The foreign money which the agent of the British merchant receives for his goods must exchange into a less number of pounds, in proportion to the increase of our standard. The remittances, which our merchants had to make to those of other countries

on the expiration of the term of credit, for their goods sold here on time, exchanged into more foreign money than was sufficient to remunerate them, and much more than they could have had the most distant idea of receiving. Thus we robbed our own manufacturers to enrich those of other nations, who were preparing to contend with us for the markets of the world.

This mortal blow, given to our foreign commerce, the strong arm of our power, prepared us to expect, without surprise, the paralysis which seized on the whole body of the nation.

The Bank of England being compelled to pay in gold was necessitated to contract its paper, in order to bring down the price of merchandize; for had the issues of paper not been restrained, the prices of goods here must have continued the same, and none would have been sent into the foreign market to buy gold. Such a state of things would have precluded the Bank from getting gold, or if by chance there had been a small quantity in the home market, it must have given 775 pound notes for an ingot of size enough to make 550 sovereigns; which the seller of it could have drawn from the Bank again, after it had taken the trouble to coin it, by presenting for payment 550 notes: this, therefore, in the nature of things, would have been unfeasible.

The cruel and destructive operation of this measure was first felt by the manufacturer. He

had bought his material, accepted his bills, made all his contracts, and paid the wages of his servants, estimating a certain proportion of his produce to sell for three pounds, which the legislature obliged him to sell for two. Ruinous as this may appear, it is far from showing the extent of his loss. The courts of law compelled him to pay every legal demand on him in money, the same only in denomination, but intrinsically of much greater value than that in which he had made his bargain. This obliged him to hurry into the market with all the goods in his power, to force sales when the demand for them must have been greatly lessened, in consequence of the diminution of the currency; for demand always depends on the means of the buyer, which must have been diminished in the same proportion. If with this depression of price be also taken into account the number of bankruptcies, from which he was exposed to suffer, occasioned in many cases by the inability of his customers to obtain money for their goods, he must have been favourably circumstanced if he reserved half his capital. With his means thus narrowed, the impossibility of making at once a new adjustment of wages with his servants, and hopeless of a remuneration for the risk and attention necessarily attached to the carrying on his business, there was no reason for surprise at seeing in most cases his machinery stand still; or working only a day or two in the week, to prevent its falling

into decay; or, if his means enabled him, he might have chosen this way of extending his charity to a few of his most deserving servants. Thus the great body of the artificers of the country, deprived of all employment, were obliged to apply to the occupiers of the land, for the allowance the law provides for paupers; instead of forming, as in a natural course of things they ought to have done, the greatest beneficial market for the sale of the produce of the land. This led to the ruin of the tenantry of the country, that respectable body of men, which the country views with so much pride and esteem. Thus did this short-sighted measure for enforcing gold payment at the old standard bring the country into that hapless state of exhaustion, the remembrance of which must be still fresh in the mind of every thinking man, and give just cause for the most serious apprehensions.

County meetings were convened in every part of the kingdom, to consider the state of the nation. The empirical plans, which were suggested at these as likely to relieve it, sufficiently show the general opinion, and the irritated state of the public mind. At last an expedient was hit upon, which was not only to relieve, but effect a complete cure in this almost hopeless case. Under its operation, we were even told, that no man could have any conception of the degree of strength we should rapidly acquire. This patent remedy was nothing less than stimulating the country by arti-

ficially filling up the channel of circulation with a great influx of paper; the contrivances for introducing which being well remembered, it would be useless to describe.

If the advisers of this measure had understood the nature of the malady, they never could have had the cruelty to attempt the experiment. Few charlatans' specifics were ever so hazardous: they sometimes succeed by chance; but this, being contrary to the natural course of things, was sure to fail; since, after the short-lived effort of vigour which it was calculated to enable us to exert, it must inevitably throw us into a state of hopeless impotency.

This rash scheme, which set afloat so much paper money exchangeable into gold, was in reality an attempt to keep down the price of gold by law, to oblige the producer of it to give the same quantity of it in exchange for less of our produce than he had been accustomed to receive. Thus our country became the dearest in the world for produce, and the cheapest for gold; the foreigner was therefore induced to push in upon us his produce for sale, while he would buy but little of ours in return. This state of things soon brought a balance in his favour; and then a run took place on the Bank for gold to pay him. The only means to stop the drain were resorted to; the circulation of bank-notes was immediately contracted; and this brought down the price of our

produce with ruin to the manufacturer, till the foreigner was content to receive it in payment for his goods, or the balance of the account was settled by an insolvency.

If, by a gradual contraction of the currency at the end of the war, the country were brought to the verge of destruction, what just cause have we not to fear, on account of this sudden and more exhausting contraction, which the constitution has been enabled to submit to solely from the ephemeral strength of an artificial stimulus? This shifting, juggling state of our currency has made the unhappy fate of the producer not unlike that of the fabled Sisyphus, for ever doomed to toil, and to have the fruits of his labour forced from his hands.

But it is impossible, my Lord, that such a state of things can last. It must soon burst the bonds of society. The principle of greatest force, to induce mankind to submit to these bonds, is the mutual protection given and received by the individuals forming it. When this principle is broken in upon, either by fraud, force, or folly, those dreadful effects ensue, which disgrace the pages of history.

Should this statement respecting our currency be found true, happy indeed will it be for the country, if every individual in it will unite heart and hand at once to declare, that means shall be taken to banish paper money for ever; and that

for the future the bank-note, let its security be what it will, shall be looked upon as the accursed thing, the cause of all our woe. Let it not be supposed, because the system has been persevered in for so many years, and the country has not only borne it, but, while subjected to its influence, made very great advances in improvement, that this system was the cause of the improvement effected. A much greater degree of it most probably would have been attained, by resorting to a plan far less unjust, and which must have prevented the present appalling catastrophe. Our situation relative to the rest of the world has been so changed since the introduction of machinery, that what formerly we could support, we are now no longer able to bear. The powerful implement, destined to perform so prominent a part in bringing about a new order of things in the commercial world, is equally as perfect with our rivals as with us; and if we be ever to regain that admittance into the foreign market, from which, by the folly of giving a bounty to our competitors, we have shut ourselves out, we must fight our way inch by inch. Before the introduction of machinery, the foreigner, to have been enabled to compete with us in many of our most important manufactures, must have inveigled away a great part of the artificers of the country. This necessity exists no longer: he now possesses equal skill, and more

ample means, than ourselves. The man who reasons at all, and possesses a particle of love for his country, must understand the declaration of Mr. Huskisson, in the last session of Parliament, that the American was underselling us in cotton, and the German in hardware, as the announcement of the fiend Poverty being already at our door; and it must induce him to think seriously of the best way to prevent his forcing an entrance.

Efficacious as I have shown this spurious currency to have been in itself in spreading desolation through the land, and, independent of all other causes, fully sufficient utterly to ruin us as a commercial nation, it has nevertheless received powerful assistance from the other causes I have mentioned. The corn laws have enabled it to spread much farther than it otherwise could have yet done; for the free ingress of foreign grain would have rendered the balance of trade sufficiently unfavourable to draw off our gold, before the tide of woe could have spread so wide. Without the assistance of paper money, the price of corn here must come to a level with the continental price. Thus these two evils, like giant fiends supporting each other, carried into effect the work of destruction in this unhappy land. The avowed intention of the corn-bill was to give a remunerating price to the land owner for cultivating his land, which he as-

serted could not be done, except ten shillings a bushel could be obtained for his wheat. To prove this assertion, and that there might be no appearance of haste in a business of such vital importance, a host of agriculturists were brought before a committee appointed for the purpose of examining into it; and all uniting in giving their opinion, that no less a sum would prevent ruin, was considered as sufficient to confirm it. High taxes, and grievous imposts, were said to have rendered this price necessary; but no question was asked how the consumer was to give high prices for corn, and pay high taxes too; and no plan was suggested to enable him to get gold cheap, though he would be obliged to sell cheap.

Every true Englishman wishes from his heart to see the agricultural interest flourishing; and all whose occupation is the honourable and useful one of raising food for the community, well remunerated for their labour, and feeling happy in their situations. But no rational man can suppose the corn-bill will ever have such an effect; for this law, even if it be considered unconnected in its operation with any other, will be found, upon the slightest looking into, like the expedient for circulating paper payable in gold, to be one that is opposed to the natural order of things, and therefore will never succeed. The price of corn, like that of all the productions of

labour, is regulated on the principle of the proportion of the supply to the demand. This question therefore, like most others, has two sides; and it is not only necessary to give the seller an opportunity of controlling the supply of corn, but the means the buyer has to pay must be known before the price can be determined.

Men of ordinary intellect see this as a self-evident proposition, and know, that all is the utmost that can, in any case, be got. It belonged to the superior wisdom of the members of the Corn Committee to show the agriculturist the way to get more than all, and from nothing to produce something.

Had they acted as common men of business in the investigation of so very plain a question, their attention would have been engaged in examining the nature of their market. They would have looked to the source whence the funds arose, which enabled the consumers of corn to become buyers; and must soon have discovered there, after subtracting from the population of the kingdom all whose maintenance arose from their occupation, or claims on the land, and whose share of the produce of it must be the same, let the price be what it may,—that the portion of the people, which from its magnitude may be said to constitute them buyers in the market, are the artificers; and that the only means these have of consuming depend

on the rate of their wages. The first thing therefore to be done was to give good wages to the artificer, to enable him to become a buyer. Instead of seeing this, and pursuing so very obvious a course, the agriculturist says at once to the artificer, "Give me a high price for my corn, and I will give a high one in return for your goods." But this evidently cannot be done, unless there is money first put into the artificer's pocket to begin with.

Such are the wretched foundations of all the self-called unanswerable reasonings of the supporters of the Corn Bill. Their advocates always insist, that the ruin of the agriculturist is the ruin of the manufacturer; instead of perceiving, that the ruin of the manufacturer brings after it that of the agriculturist. They pretend to prove, that the high price of corn is the cause of the high price of goods, by which means high wages can be given; and then, to complete the circle, the high rate of wages is the cause of the high price of corn. This system of things is that which they call working well. They pride themselves in this mysteeism, and think they possess superior knowledge, and that their enlightened understandings have fathomed the depths of the question.

In triumph they tell the country, that the prosperity of trade depends on that of the land; that it is the home trade only, which, from its magni-

tude, deserves our assiduous care; and that the foreign trade being scarcely an eighth of the whole, is therefore evidently of little moment.

When people use a dark lantern, it is not a matter of surprise, if they discover not the object they are in search of. With the assistance of only common candle-light, the agriculturist would have immediately seen, that the price of wages is regulated by nothing else than this contemptible eighth, or tenth, or whatever part it may be of our produce that is consumed in the foreign market. The price of every article in this country is the quantity of gold it will procure in exchange.

To get this material, which is a foreign production, we must purchase it in the markets of the world with our own productions, where we must give as much for it as any of our competitors. It is therefore evident, if we be to continue our trade, we must get as many goods here in exchange for it, as we gave for the gold abroad. The wages, therefore, that are paid in preparing the goods, can be no more than all the gold received for them; neither can the landowner get more for his corn, than the whole of the wages paid for making the goods. The foreign price of goods, whatever it may be, thus fixes the rate of wages, that can be afforded to be paid on the whole of our manufactures, even on the seven-eighths which are consumed at home.

Should this not immediately reach the sensorium of the agriculturist, it may penetrate so far perhaps, if he will take the trouble to ask himself, what possible reason there can be to export the one-eighth, except as good a price is expected to be obtained for it abroad as at home. If by the competition of the foreign manufacturer this should prove impracticable, the export ceases, and the whole of our manufactures are attempted to be vended at home. The effect of an over-supply on a stationary demand, we may give him credit for fully comprehending. He has shown himself feelingly sensitive there, by the efforts he has made to prevent this from taking place in his own market. This consideration will show him, that the effect of foreign competition prevents the manufacturer from charging him here a monopoly price, and that to as full an extent as the allowing of foreign goods to be brought to our market; and if he can distinguish one idea from another, he must see also, that every piece of foreign goods sold here is lessening the source whence the funds arise that create the demand for his own; and that he is the loser to the full amount. If the present general distress be not sufficient to prove to the landowner the total ruin of the manufacturer, he must see, if he do not purposely shut his eyes, that the joint agency of the paper

currency and Corn Bill must immediately bring it about.

The landowner has to answer to the country for this cruel, unjust spoliation; and in the natural course of things, in a very short time, he must taste the bitterness of it. His conduct truly resembles that of the man who sells his bed in the morning, which he will want at night. The inevitable effect of the Corn Laws, if their natural tendency be not diverted by opposite measures, must be either to oblige this country to export corn, or receive for it a less price than the continental one. The following simple case is almost a self-evident proof, that no other consequence can ensue.

An English manufacturer, at the expense of the consumption of a bushel of wheat, is enabled to bring an article into the foreign market, for which to repay him, he must get gold equal to ten shillings. A foreign manufacturer has the means, with the same quantity of wheat, of bringing a similar article into the market, for which he could afford to accept gold equal only to four shillings; but the supply not being more than the demand, he is enabled to obtain ten shillings. This great profit gives him capital to increase his machinery, and bring into the market more than double the quantity of goods. This produces a glut, and the

market must sink; the smallest abatement ruins the English manufacturer, and gives the foreigner full possession of the whole market; and if he be driven from it again, it must be by a lower price than he can afford to sell at. Thus the folly of the Corn Bill will permanently destroy even the hopes of the country. Every advantage in skill, machinery, and capital, which we possessed at the end of the war, and which probably would have enabled us to have held for many years our foreign trade unimpaired, we have lost by the most egregious folly of our enactments. These have given capital to our rival, which he has used for the direct purpose of taking from us our trade.

Were it possible to work a problem, to show the loss the manufacturer has sustained by the system of our Corn Laws, in which every negative and positive quantity, profits, losses by bankruptcies, and depreciations, could be accurately measured, the solution would prove, that the sum of which the manufacturer has been defrauded, and the money put into the pocket of the landowner, could not be far from the difference between the price he was obliged to give for all the produce of the soil, on account of these laws, and the sum he would have given for it, had they never existed.

To these two prolific causes of misery I have mentioned, must be added our Insolvent Laws. These hold out a sanctuary for fraud. The facility

our paper system furnishes for procuring credit has induced and enabled men to engage in the wildest speculations; and the impunity with which the fraudulent speculator escapes by means of these laws, encourages him to throw his spurious money into the channel of circulation without measure, reckless of the consequences.

God forbid, at such a time as the present, when thousands of my countrymen, with the most upright intention, have been forced by the torrent of desolation into the gulph of misery, that I should advocate the adding to their unhappy lot one bitter particle. Without investigating this subject more fully, all I can venture to say on it is, that if a person, who, under the assumed character of a man of honour and a gentleman, obtains credit sufficient to pay acceptances for thousands, while he is annually losing on his returns, and spending large sums of his creditors' property yearly in luxury; after having perhaps too reserved a considerable sum to supply his future wants, or furnish himself with fresh means for deception; can such a man be set at large merely on giving up any small quantity of property he may choose, and of which no part, in fact, ever belonged to him? then it is high time for credit to cease altogether, or to give up hanging for forgery, or the petty act of sheep-stealing, when such wholesale robbers are left unpunished. It is useless to attribute any

part of our distress to speculations, while our policy encourages them. To cure any evil, assuredly the way is to trace it back to its cause, the removal of which is the most effectual remedy. Speculations being generated by means of the connexion between our corrupt currency and insolvent laws, while the parents continue in vigour, such offspring must be expected as a natural effect.

In times of such heart-rending distress, men may wish to carry their researches still farther back, and endeavour to find what could have induced these great causes, so fruitful in calamity. This might lead them to a disquisition on the philosophy of the human mind; in which boundless field they must soon be lost amid the innumerable disputative theories, that have been adduced to found a plausible cause for the determination of the will of man. But Christian nations have a surer guide than such vain philosophy: they are in possession of the revealed word of the Deity, who has condescended to inform them of some moral causes, which operate to produce physical ones. He there expressly tells us, that he wishes our happiness, but that we can attain it only by pursuing the means he has pointed out. These require us only to do justice, love mercy, and walk humbly before Him. But if we be wayward, there is no expectation held out, that God will alter the immutable laws of nature, to allow us to reach hap-

piness by any other route than that he has appointed. So far from this, he tells us, that if we do not follow the truth, he will depart out of his way to punish us. But, even when folly throws us into such an unhappy state, we may still see the mercy and long-suffering of the Deity.

He does not immediately hurl down vengeance from Heaven, but he appoints means, the certain course of which will effect his purposes. When these come into existence, of which by a due consideration we may satisfy ourselves, they serve as a warning to ward off his anger in the only way he allows, which is by a return into the true path; or they continue as causes, which, too, that we may not mistake them, always proceed in a natural course, till they produce those dreadful consequences, which are designated with truth as the judgments of Heaven. He has even, for our farther instruction, mentioned also, in express terms, some of the means he employs; and in the emphatic language of holy writ he tells us, that when nations depart from the right way, he will distract their councils, and set children to rule over them. It would be extreme presumption in me, or any man, my Lord, to say what moral causes may be in operation, but in the present unhappy state of the country, there must exist some of great magnitude, to excite so much alarm. When too we see the Legislature, composed chiefly of the land-

owners of the kingdom, mistaking their true interest, and persevering in means, with an intention of benefiting themselves, but which must assuredly soon bring utter ruin on their families, as well as on the rest of the community—have we not, from this state of things, just reason for dread and alarm? How can we conceive any conduct more characteristic of that of children, who never know what is best for themselves?

In thinking of expedients likely to alleviate such a complication of misfortune, my heart sinks within me on the view of the chasms and obstructions that oppose our way. Every member of a Christian community, I feel assured, will coincide with me in opinion, that our first effort should be made in prayer and humiliation to Almighty God, to ask of him, with one heart and one mind, that he would be graciously pleased with his wisdom to direct our councils, and lead us by the shortest road from the mazes of error in which we have been so long bewildered, into the plain road of justice, where, in legible characters, we may read on the finger-post the direct way to public prosperity. On our part, it must be our duty and interest continually to strive, as much as in us lies, to attain this object.

In submitting to your Lordship's consideration the means likely to effectuate this purpose, I cannot avoid seeing the great difficulties that beset the way:

firmness and perseverance will therefore be necessary to attend our whole progress. If, in delivering my opinions, a tone of confidence, arising from conviction, should predominate, I hope your Lordship will impute it to such an impression, and not to presumption, or a forgetfulness of the narrow limit of human intellect.

From the observations I have presented, I deduce the inference, that prosperity can never be our portion, till our paper money ceases entirely. The best expedient for withdrawing it should be immediately resorted to. Till our currency becomes wholly of intrinsic value, the artificer is deprived of his just wages. What right have we to rob him? or why should we try to do so? I have shown, that he must buy his gold in the markets of the world with the produce of his industry, brought into competition with that of his rivals; and, if this gold be artificially made cheaper when brought hither, he is defrauded of a natural right. It is by thus deceitfully depressing gold below its natural value, that paper money has been so greatly mischievous, and the parent of such heart-rending distress.

It is utterly impossible also to continue the present sovereign unassisted by paper as our pound sterling: the attempt to do so, could the country even for a moment be supposed to be enabled to endure it, would reduce our wheat to

three shillings the bushel, and the price of all our labour in proportion. The whole proceeds of the kingdom, in that case, would not satisfy the claims of the Exchequer.

We are now arrived at a point, where we must instantly stop our career. No one can be bold enough to advise the continuance of measures, that have already greatly undermined a constitution framed by the fortunate expedients of ages, and which has proved the best specimen ever exhibited to the world. If this structure be permitted to fall, who can conceive, even in imagination, the form the materials may be obliged to take, when huddled together in factious haste?

The only expedient therefore that can be adopted in our present unhappy situation is to fix a new standard for our pound; and the best guide to direct us in making the new measure is wheat: not only because it is the principal article of expense in the produce of that labour which we are obliged to sell in competition with our rivals, and of which we must give as much for an equal quantity of gold; but because the investigation of the Corn Committee led to the determination of the precise quantity the country could afford to exchange for a pound.

It being certain therefore that we can get no more gold for the produce of any labour brought into existence by the consumption of a certain

quantity of wheat, than our competitor can obtain for a similar quantity, and the taxation of the country not allowing more wheat than two bushels to be given in exchange for a pound sterling; the measure of gold wanted for our pound is found to be that which will buy two bushels of wheat in the same markets that supply our rivals. This is the utmost quantity. Taxation may not enable us to afford even so much: and how can we compete with our rival, if our imports be higher than he is subjected to?

Many of the continental nations having silver for their standard, it may be necessary to permit us to pay our debts in equal quantities of silver and gold. Other advantages would attend such a measure; one of which would be the preventing any fluctuation in the value of the two metals. If we have fortitude sufficient to submit to this operation of altering our standard, the country may possibly revive; but care should be taken that we extirpate the whole of the cancer which is now so fast approaching our vitals, that there may be no necessity of recurring again to such severe measures.

We must make an attempt, my Lord, to escape from the corrupt and miserable state in which, unfortunately, we are so deeply plunged. The first principle of our nature, the desire of happiness implanted in us by our Maker, will justify

our endeavours; and the expedient of a new standard is the best I can conceive. Nations oppressed with less than a thousandth part of our burden have frequently been obliged to resort to it; how, then, can we expect to avoid it?

Let no hypocritical and canting cry of injustice, that may be raised up against it, by those who will not take the trouble of looking into it, deter us from doing our duty. In particular, let not that man be heard, who can advocate the far more unjust system of paying paper money with gold, which, by thus deceitfully making it cheap, has occasioned the intolerable misery that appals us in every direction to which we turn our eyes. Neither let that man open his mouth against it, who proposes a system of paper money to be paid at the market price of gold, which price would depend on the will of the issuers of such fraudulent trash; who on the one hand might bring the pound sterling to be worth only an ounce of copper, and thus rob the annuitant of all his substance, or on the other might make the pound sterling worth an ounce of gold, and thus bring the industrious producer to beggary.

It is true, indeed, that a frightful chasm lies between us and the solid even ground, on which we might pursue our career with joy and surety. Thousands have already fallen into it, and thousands more must fall: but, if an effort be not

made, all will slide in, and the gambling will thus be finished.

Let us therefore exert ourselves, to close up or pass over this horrible pit. On the other side we shall find the path smooth; and there the new standard will buy as much of the produce of British industry as the old one did on this side. The spirit of our contracts relating to it would be acted up to. The wages of our countrymen would require no readjustment. That humiliating specimen of the produce of the united intellect of men blinded by interest, the Corn Bill, would crumble into nothing. The tenantry could pay their rents, and the annuitant buy the same loaf with the same tale of money. Our foreign trade might perhaps be recovered. The foreigner would probably lose less on his existing accounts with us, than by the present bankrupt system of settling them. Our own merchants and manufacturers may be repaid a small portion, though not a hundredth part of the sum they have lost; and the exchange would soon arrange, both for the foreigner and them, the just equilibrium of value. They, whom our impolitic measures have driven to reside abroad, and to spend there incomes, drawn from the exhausting resources of this kingdom, will find it equally cheap and prudent to live at home, and to fertilize by their expenditure the soil that nourishes them; instead of injuring their

parent country by the strength they now afford to her rivals. That we might assure ourselves, that the foundation of our future structure was firm, glad should I be, my Lord, to hear of a motion, proposed and carried by acclamation in both houses of parliament, that, for a memento to future generations of the folly of doing injustice, the names of all our insolvents should be engraved on plates of brass; and, if room could be found for them on the walls, an order given to suspend them there, with a description of the misery of the present times, and a representation of the bank note, in the most conspicuous part, as the instrument which has been the fatal cause of all.

Thus, my Lord, have I ventured to address you on one of the most important of subjects; but, in such times as the present, little men must use their feeble strength, till the giant intellect of the nation is roused from its lethargy. If any should be found so fastidious as to object to the dress I have taken, equally so would they be at that of the courier, who has sped from afar to the city to announce the approach of the enemy to their gates. Should truth have condescended to accompany my remarks, her intrinsic worth cannot be impaired by any apparel; and the only disadvantage she can be placed under, will be the difficulty of recognizing her.

I hope and pray that the conduct of the British

parliament, during its present session, may be so wisely directed, that no one may be able to say with truth of the situation of the nation, *Quem Deus vult perdere, prius dementat*; and that no senator, when he looks into his own breast, will be able to say, *Video meliora, proboque; Deteriora sequor*. But if unfortunately this unhappy empire must still be subjected to empirical devices, which can never succeed except we can work miracles, while the bank note is permitted insidiously to eat away the foundation of the fabric of our prosperity; if reason be to be kept from her seat, and we be to submit to be governed by the illusive dreams of the imagination; I hope the mercy of God will allow the even scales to be depicted in our visions, before we see the hand-writing on the wall.

I have the honour to subscribe myself,

My Lord,

Your Lordship's most obedient,

humble servant,

A CALM OBSERVER.

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